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Item 6 of the provisional agenda

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1994

Report by the Director-General

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 3	2
Chapter			
I.	IMPROVING THE QUALITY OF TECHNICAL COOPERATION	4 - 6	2
II.	GUIDELINES FOR THE SERVICE MANAGEMENT PROCESS	7	2
III.	COUNTRY AND REGIONAL SUPPORT STRATEGIES AND PROGRAMMING BRIEFS	8	3
IV.	ACTION REQUIRED OF THE BOARD	9	3

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Introduction

1. In accordance with Industrial Development Board decision IDB.7/Dec.11, the Director-General is to present an annual report on the technical cooperation activities of UNIDO. Information on such activities for 1994 is provided in the Annual Report of UNIDO, 1994 (IDB.14/10, chap. III, and IDB.14/10/Add.1 and Corr.1). A list of technical cooperation projects approved and/or operational in 1994 will also be made available to the Board in a conference room paper.

2. Debates on the subject at the most recent sessions of the Board and the General Conference have focused on the quality aspects of technical cooperation.

3. After consideration of a report by the Director-General on the development of a quality management system for UNIDO technical cooperation (IDB.12/8), in its decision IDB.12/Dec.5 the Board addressed a number of requests to the Director-General in that respect. The present document describes the UNIDO response to those requests.

I. IMPROVING THE QUALITY OF TECHNICAL COOPERATION

(GC.5/Res.1, paras. 2, 6;
IDB.12/Dec.5, paras. (c)(i), (ii))

4. With regard to subparagraph (c)(i) of decision IDB.12/Dec.5, in which the Director-General was requested to complete the quality system for technical cooperation, the following steps have been undertaken as planned in document IDB.12/8, paragraphs 7 and 8:

(a) The focusing of UNIDO's activities is described in document IDB.14/13 which is presented to the Board at its current session under item 4 of the provisional agenda. The basic concept for the focusing was also explained in the introduction to the proposed programme and budgets, 1996-1997 (IDB.14/2 and Corr.1);

(b) The precise delineation of responsibilities between the Quality Assurance Unit and the divisional quality assurance officers is under continuous dialogue and guidelines are expected to be issued;

(c) A quality manual was drafted and will be finalized once the proposed UNIDO priorities have been agreed upon;

(d) Staff training has begun on the application of the Quality System for UNIDO Services (CPD.11) throughout the service management process, as foreseen in Director-General's Bulletin UNIDO/DG/B.177. To date, two Managing Directors, three Heads of Branch and 68 other staff members, including 39 Junior Professional Officers, have received such training;

(e) Another evaluation tool, the system for the assessment of the performance of staff and managers, which includes a system of incentives, is being finalized.

5. In decision IDB.12/Dec.5, the Director-General was requested to continue improving the quality of technical cooperation projects, as called for in General Conference resolution GC.5/Res.1. Towards achieving that objective, in March 1995 UNIDO organized a working session on the introduction of quality management into development cooperation agencies. Representatives from bilateral and multilateral development cooperation agencies reached a common understanding on the principles of a participatory approach to the management of development cooperation that had been developed by UNIDO and the German Agency for Technical Cooperation (GTZ) (see PPD.257). The representatives also decided to continue this initiative as an informal network to exchange views on and experience of these principles and methods, and to meet again to assess the progress made in the participatory management of development cooperation. UNIDO, as the initiator of this endeavour, will brief representatives of the Organization for Economic Cooperation and Development, the World Bank and the United Nations Development Programme who, although not able to attend the first session, are working on the same or similar principles.

6. The experience in the application of the principles of participatory approach and the notion of ownership and management responsibility, is still limited. Thus, although UNIDO has a blueprint for its technical cooperation services, including procedures, methods and instruments (see CPD.11), the principles for the management of development cooperation have been tested in the development of only a few technical cooperation projects as reflected in the Annual Report, 1994 (IDB.14/10, chap. IV, paras. 21-28).

II. GUIDELINES FOR THE SERVICE MANAGEMENT PROCESS

(IDB.12/Dec.5, para. (b)(iii))

7. With regard to procedures, the UNIDO guidelines for the service management process (UNIDO/DG/B.177) is currently being reviewed through a survey of the experience of management staff with this process. The review will be used to analyse the problems encountered by staff and managers, eliminate steps that have no value added, adjust responsibilities and redefine time limits. A revised draft revision is expected to be ready by mid-

1995. The procedures will ensure that the principles of a participatory approach to the management of development cooperation are reflected.

III. COUNTRY AND REGIONAL SUPPORT STRATEGIES AND PROGRAMMING BRIEFS

(IDB.12/Dec.5, para. (b)(iv))

8. A total of 103 country programming briefs have been prepared in accordance with Director-General's Bulletin UNIDO/DG/B.177 and others are being finalized pending feedback from the respective countries and programming missions. Based on the first round of experiences, a standard outline of programming briefs are being developed to ensure quality and comparability. These briefs will be incorporated into the updating exercise. A first draft of regional strategies has been completed for all five regions. Five country strategies are in an advanced stage; in the case of Indonesia, the strategy evolved from the Industrial Development Review for that country, and in the case of the Syrian Arab Republic, the strategy was developed on the basis of a technical support services at the programme level (TSS-1) exercise. Twenty-nine more country strategies are under preparation.

IV. ACTION REQUIRED OF THE BOARD

9. The Board may wish to take note of the information contained in the present document.

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THE REGIONAL DIMENSION

Special Programme for Industrial Development in the Arab Countries, including technical assistance to the Palestinian people

Report by the Director-General

Summary

Provides information on projects addressing priority areas identified by the General Conference and on other aspects of the Special Programme, as well as on technical assistance to the Palestinian people.

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 2	2
Chapter			
I.	PRIORITY AREAS	3 - 13	2
II.	FRAMEWORK FOR PROGRAMME DEVELOPMENT	14 - 22	3
III.	TECHNICAL ASSISTANCE TO THE PALESTINIAN PEOPLE	23 - 25	4
IV.	ACTION REQUIRED OF THE BOARD	26	4

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Introduction

1. In accordance with General Conference resolution GC.5/Res.13 on the Special Programme for Industrial Development in the Arab Countries, the operational activities of the Programme have been refocused on the key priority areas identified by the resolution, within the context of the medium-term plan and the five development objectives of the Organization. Addressing those priorities, initiatives have been taken to conceive and implement an integrated and coherent programme/projects package of regional activities for the Arab countries, some of which are highlighted below in respect of each of the General Conference recommendations. In view of their multidisciplinary nature, these activities address two or more of the recommendations simultaneously. Details regarding these and other projects are available with the Secretariat.

2. The present document also supplements information provided in the *Annual Report of UNIDO 1994* (IDB.14/10, chap. III.C) and should be considered in conjunction with that text.

I. PRIORITY AREAS
(GC.5/Res.13, para. 1)

Human resource development

3. A regional workshop on capacity-building in technology transfer negotiations and contract negotiation will represent a means to creating and/or strengthening national and regional capacities in technology acquisition and negotiation (Amman, Jordan, late 1995).

4. Regional workshop on maintenance of industrial boilers in Arab least developed countries (LDCs) (Cairo, Egypt, mid-1995): Industrial maintenance remains one of the highest priority areas in Arab LDCs due to decreased production and increased consumption of scarce spare parts. By applying basic maintenance management—which consists essentially of moving from a breakdown maintenance practice to a preventive inspection and maintenance formula—use of production tools, productivity and competitiveness are improved.

Development of national and regional technological capacities

5. Assessment of instrumentation facilities and services available in the countries of the Western Asia subregion: The project is aimed at making an assessment of instrumentation facilities and services available in the countries of the subregion to investigate the creation of a regional centre for instrumentation repair and services and developing various instrumentation services in Jordan, Lebanon, Syrian Arab Republic and Gaza.

6. Cooperation in the field of catalysts in the Middle East and North Africa: Chemical industries in the countries of the Middle East and North Africa are highly dependent on catalysts, necessitating massive applied research on catalysis and catalytic reactions. The importance of catalysts has been emphasized in many meetings on petrochemical industries organized by UNIDO. By taking this initiative, UNIDO will assist an industrial sector of strategic importance for most Middle East and North African countries.

Upgrading the competitiveness of industrial products

7. Workshop on the potential for cooperation among Gulf countries in the production of machine tools (Dubai, United Arab Emirates, late 1995): The problems of the machine tool industry specific to Arab countries could be summarized as diseconomies of scale, lack of sound engineering infrastructure, limited skilled manpower, high cost of both capital and factor inputs—notably cost of civil works, and technology acquisition. It is within this framework and on the basis of discussions held with officials from various countries of the Gulf that an opportunity study for establishment of a plant to manufacture machine tools is being prepared by UNIDO. The workshop will review the results and findings of the study.

8. Workshop on productivity in industrial establishments (Damascus, Syrian Arab Republic, late 1995): The Arab countries have adopted policies to foster their economic development through industrialization. With this goal in view, these countries have taken measures to enhance awareness of and to improve industrial productivity through, *inter alia*, holding regional workshops in which various aspects of productivity improvement are discussed and related experiences and views exchanged.

Standardization and quality control

9. Preparatory assistance for the assessment of textile industry quality systems: This project constitutes an assessment of total quality management systems (TQM) in the textile industry in order to produce a quality manual for this sector following the ISO 9000 standards to ensure international competitiveness.

10. Regional workshops on ISO 9000, quality management and quality assurance standards, guidelines and impact on the industrial sector (Beirut, Lebanon, January 1995): A regional seminar on ISO 9000 and TQM was held under the sponsorship of the Economic and Social Commission for Western Asia (ESCWA).

UNIDO presented two technical papers on ISO 9000 and TQM at the seminar and guided its discussions.

Industrial management information

11. Training workshop on the application of the UNIDO Computer Model for Feasibility Analysis and Reporting (COMFAR) in investment project appraisal (mid-1995): The workshop aims to widen the application of modern, proven methodologies of investment project appraisal and, in particular, to improve the skills and capabilities of the staff of ministries of industry and relevant institutions from Arab Industrial Development and Mining Organization (AIDMO) member countries in carrying out financial and economic appraisal of investment projects using the COMFAR software.

Food security through the development of agro-industries

12. Regional workshop on the development of the agro-related metalworking sector: The development of the agro-related metalworking industry remains a key priority area in Arab countries. This project is designed to provide catalytic assistance in terms of technical support to agro-related metalworking industries through fuller technology exchange and promotion of regional cooperation by identifying a number of common constraints that could be addressed at the regional level, together with identification of technical cooperation project concepts.

13. Expert group meeting on strategies for development of marine agricultural and industrial biotechnology (Abu Dhabi, United Arab Emirates, late 1995): The project proposes to formulate regional strategies and a plan of action on marine biotechnology, making use of underexploited marine resources in the region. The project will bring together national experts on marine or closely related biotechnology from the Arab region to discuss challenges and opportunities. Assisted by UNIDO and ESCWA technical staff and other international and regional experts, national experts will determine areas most promising for regional economic development.

II. FRAMEWORK FOR PROGRAMME DEVELOPMENT
(GC.5/Res.13, para. 2)

14. In order to consolidate the above and future activities of the Programme in an integrated and synergetic framework, two major analytical investigations were also launched in the reporting period. The first concerns a detailed analysis of the potential for Arab cooperation in industrial development. The study highlights the major changes occurring at present in the industrial sector world-wide, pinpoints specific problems and constraints encountered in fostering industrial cooperation among Arab countries and identifies remedial measures. The report contains concrete proposals and an action programme for regional cooperation with respect to a wide spectrum of fields from investment and joint venture arrangements to environment and industrial pollution control. Conducted in close cooperation and coordination with AIDMO, the study is in the final stages of preparation.

15. The second investigation—a programming strategy for UNIDO support of industrial development in the Arab countries—develops a coherent and focused strategy for the future activities of the Special Programme based on an in-depth analysis of regional and global industrial trends, UNIDO's comparative advantages and core competence and recent experience in planning and implementing activities in the region. Based on that assessment, the priority needs are identified as technical cooperation in privatization and private sector development, in rehabilitation of industrial enterprises, in achieving international competitiveness, in gaining access to technology, in generating employment and in implementing regional cooperation.

16. Significantly, the study develops some new approaches in meeting the emerging challenges, notably in identifying innovative working modalities with private sector enterprises, in delineating specific requirements for speedy responses to passing windows of opportunity, in leveraging financial resources and finally in defining arrangements for closer working relations with regional and subregional organizations.

17. In pursuing the above activities, close cooperation and coordination continued and intensified in the reporting period with various regional and subregional organizations and development financing agencies.

18. Following the conclusion of a trilateral cooperation agreement signed in February 1994 with ESCWA and AIDMO in which the further strengthening of ties through the implementation of joint activities was envisaged, a number of concrete steps have already been taken with a view to fulfilling the provisions of the agreement. In this light, most of the programme/project elements of the regional activities package referred to above have been conceived, cost-shared and have been or will be implemented with the active involvement of these collaborating organizations, most notably capacity-building programmes in technology transfer negotiation, the regional seminar on ISO 9000 and TQM, and the meeting on strategies for development of marine agricultural and industrial biotechnology as joint projects with ESCWA. An assessment of the implications for

Arab industry of the GATT Uruguay Round Agreements will be jointly conducted with ESCWA and AIDMO.

19. As examples of collaborative arrangements with AIDMO can be cited the workshop on productivity in industrial establishments, an assessment of technical cooperation needs of the sugar industry in the region, and the workshop on maintenance of industrial boilers for Arab LDCs.

20. With respect to the League of Arab States, a relationship agreement was signed in June 1994 identifying the following areas of cooperation with UNIDO: development and transfer of technology; regional development and localization of industries; forecasting of trends in industrial production in the region; industrial policies and strategies; direct technical cooperation to industry in the region; management of industrial surveys; and training of industrial manpower. To this end, UNIDO has formulated concrete proposals to the substantive departments of the Arab League for joint activities, particularly in the fields of environment, the petrochemical industry and industrial statistics.

21. Regular budget appropriations for the 1994-1995 biennium for financing of these regional activities exceed $500,000, although their net worth is considerably higher in view of cost-sharing and financial contributions by collaborating agencies. Other sources of funding, such as special-purpose contributions to the Industrial Development Fund, regional finance institutions and recipient cost-sharing arrangements, have also been tapped for the regional activities.

22. Through additional staffing in both Professional and General Service categories, the management capability of the Arab Countries Programme has been strengthened.

III. TECHNICAL ASSISTANCE TO THE PALESTINIAN PEOPLE

23. In the context of UNIDO efforts to promote socio-economic development through sound and sustainable industrial development, a programme strategy for services to the Palestinian people has been prepared to support industrial development in the West Bank and Gaza Strip in ways that will improve living standards and welfare. The strategy is based on an analysis of short- and medium-term prospects for and constraints to Palestinian industrial development, the primary needs of the sector, and the explicit policies and priorities for industrial development articulated by the Palestinian Authority. Technical cooperation will focus mainly on the following areas:

(a) Private sector development for industry;

(b) Small and medium enterprises;

(c) Human resource development for industry;

(d) Acquisition and application of new technologies to enhance competitiveness;

(e) Regional industrial cooperation and integration.

24. Some 14 project concepts related to the above areas of cooperation have been identified and discussed with the Palestinian Authority and various industrialists. Project documents have already been prepared for these concepts. Recently UNIDO has approved most of the smaller projects to be funded through its own financial resources. However, large-scale projects would require further preparatory assistance in order to design and develop a full-scale project document. As an initial part of this programme, UNIDO in cooperation with the Palestinian Authority will organize a joint workshop with representatives of the industrial sector with a view to identifying and prioritizing problems to be addressed through a framework of industrial policies, institutional support services and direct advisory services.

25. In addition to the programme strategy, UNIDO will provide support in the execution of industry-related programmes and projects as identified by funding entities, in particular within the World Bank Emergency Assistance to the Palestinian People. A concrete dialogue with the World Bank is taking place especially in areas such as small- and medium-scale enterprises, industrial sector as well as private sector development. A similar dialogue is taking place as well with the United Nations Development Programme, within the framework of its Programme of Assistance to the Palestinian People.

IV. ACTION REQUIRED OF THE BOARD

26. The Board may wish to take note of the information contained in the present document and to provide guidance for further action.

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INDUSTRIAL INVESTMENT PROMOTION

Report by the Director-General

Summary

Reports on industrial investment promotion activities carried out by UNIDO through a variety of instruments including, *inter alia*, Investment Promotion Service offices, cooperation with financial institutions and a network of information and data on the subject.

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 2	2
Chapter			
I.	INVESTMENT PROMOTION SERVICE OFFICES	3 - 9	2
II.	INVESTMENT FORUMS (INVESMARTS)	10 - 13	3
III.	TECHNICAL COOPERATION PROGRAMME	14 - 15	3
IV.	COOPERATION WITH INTERNATIONAL AND FINANCIAL ORGANIZATIONS	16 - 20	4
V.	DEVELOPMENT OF THE WORLD INVESTMENT NETWORK SERVICE	21	5
VI.	ACTION REQUIRED OF THE BOARD	22	5

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Introduction

1. The General Conference in its resolution GC.5/Res.7 on industrial investment promotion requested the Director-General to take a number of actions aimed at strengthening cooperation in the field of industrial investment promotion in developing countries and to report on their implementation to the General Conference at its sixth session through the Industrial Development Board.

2. A first report on the subject (GC.6/5-IDB.13/12, chap. VI and Add.1) was submitted through the Board at its thirteenth session. The Board, in its decision IDB.13/Dec.8 addressed further requests to the Director-General including a report on their implementation to its fourteenth session. In the information provided below reference to the requests contained in decision IDB.13/Dec.8 is made under each heading.

I. INVESTMENT PROMOTION SERVICE OFFICES

(IDB.13/Dec.8, para. (f)(i))

3. The expansion of the Investment Promotion Service (IPS) office network into developing countries and countries with economies in transition is a major objective of the UNIDO Investment Service. The establishment of IPS offices in developing countries will complement the activities of traditional IPS offices in developed countries and will further facilitate the flow of investment from developed to developing countries.

4. In April 1995, the IPS office at Istanbul, Turkey, started operations and later in the year, two new IPS offices are expected to open in Portugal and Bahrain. Negotiations for the establishment of IPS offices are under way with the following countries: Egypt, Hungary, India, Israel, Tunisia, Ukraine and the United Kingdom of Great Britain and Northern Ireland. The IPS office at Seoul, Republic of Korea, was extended for a further year and in May 1995 the Government was presented with a comprehensive plan to strengthen the office in coming years. Also during 1995, discussions are being held with the relevant government authorities concerning the future functioning of and arrangements for the UNIDO Centres for International Industrial Cooperation at Beijing and Moscow.

5. Document GC.6/5/Add.1-IDB.13/12/Add.1 (para. 6) reported that many developing country host Governments have requested UNIDO to apply, for Professional-level staff of IPS offices in their countries, the National Professional Officer salary scales established by the International Civil Service Commission (ICSC) for each duty station in developing countries. This situation was reflected in decision IDB.13/Dec.8, in which the need was recognized to make, *inter alia*, arrangements with regard to various salary scales, and commitments related to financial and in-kind contributions, which should be subject to negotiations between the Government of the host country and UNIDO. In this connection, in certain cases as indicated in document GC.6/5/Add.1-IDB.13/12/Add.1, the National Professional Officers Salary Scales will be applied during 1995 to those Heads and other professional staff of IPSO offices who are appointed as locally recruited National Professional Officers in selected developing countries. This option for personnel arrangements for IPS offices in developing countries will require a modification of the provisions for personnel in the general guidelines for the establishment of IPS offices (cf. GC.3/13 and resolution GC.3/Res.19).

6. In January 1995, the Director-General established a working group on fund raising by the IPS offices. Taking part in the working group were relevant officers from Headquarters and four heads of IPS offices. The working group reviewed the achievements by the IPS offices in mobilizing resources. The measures already taken were both diverse and inventive. They included securing financial partners for promotional events, such as BORITEC and EUROPALIA (see para. 19 below), enlarging the delegates' programme by means of direct contributions from the private sector and, where appropriate, charging conference fees for participants at specialized investors' forums and financial conferences organized by UNIDO. Among the measures actively being pursued was cooperation with universities in one country to introduce studies on trends in foreign direct investment.

7. The working group, in considering the operation of IPS offices, underlined the fact that, while core funding by the host country was the basic precondition for the functioning of an IPS office, additional resource mobilization from other sources would considerably strengthen the activities of IPS offices and allow them to be implemented more effectively and speedily.

8. The working group suggested a number of possibilities for charging fees for services rendered on a cost-reimbursement basis, for example:

(a) Companies in the IPS office database that receive country and project information (e.g. bulletins) from the offices on a regular basis could be charged a nominal fee for each publication requested;

(b) A fee could be charged for specific advisory services when companies make intensive use of IPS office services for advice on such aspects as negotiations and project preparation and appraisal. A schedule of fees, based on the cost-reimbursement principle, would

be established to meet the cost of that part of the work that goes beyond the budgeted activities of the IPS offices;

(c) Electronic software could be sold, using as an example the success UNIDO has already achieved in the sale of the UNIDO computer model for feasibility analysis and reporting (COMFAR). Considerable potential exists for income from the sale of project profile screening and pre-appraisal information system (PROPSPIN) and, to a lesser extent, the databank for investment promotion programmes (DIPP). A charge could also be foreseen in the future for those participating in the World Investment Network Service (WINS).

9. While the guidelines approved by the General Conference at its third session (GC.3/Res.19) for funding arrangements for IPS offices will continue to be applied, a reference to these cost-reimbursement measures would have to be added to take account of this new aspect of resource mobilization. In order to supplement the resources of the IPS offices, it is proposed to introduce the charging of fees during 1995.

II. INVESTMENT FORUMS (INVESMARTS)
(IDB.13/Dec.8, para. (f)(ii))

10. In 1994, a number of investment forums (Invesmarts) were held at the national level. The Invesmart, part of the Investment and Technology Partnership Initiative (see para. 12 below) is an investment forum that aims primarily at initiating direct contacts between enterprises of a developing country and potential foreign partners to discuss investment projects that have been identified beforehand in a specific number of industrial subsectors. One forum was convened in April in Madagascar, and two in June and September, in Vienna and St. Petersburg, for entrepreneurs from the Russian Federation and overseas investors. The investment promotion requirements of China are of such proportions that UNIDO is organizing Invesmarts for specific regions and provinces of China. An Invesmart held for South-West China at Kunming, Yunan Province in November attracted over 100 foreign companies from industrialized countries. The participants reviewed and negotiated the 46 projects that had been screened and developed by UNIDO in the preparatory phase. The results achieved at Kunming have been such that Chinese Invesmarts are emerging as annual events, with the next planned for the final quarter of 1995 in the Yanbian Prefecture.

11. In 1995, an Invesmart was held at Zanzibar, United Republic of Tanzania, from 25 to 28 April, and another is planned for Ghana, from 27 to 30 June. Events planned for the remainder of the year include investment meetings in Vienna for the Siberian region, 3 to 5 July, and in Sri Lanka, 30 October to 1 November.

12. In keeping with the policy to introduce innovations into the programme, the first Intechmart was held at New Delhi, India, in March 1995. This new type of promotion forms part of the UNIDO Investment and Technology Partnership Initiative. At the Intechmart, potential local and foreign partners had the opportunity to discuss both joint venture investments and technology acquisitions. In preparation for the Intechmart, 90 industrial investment projects were identified by the Ministry of Industry and UNIDO, and two technology compendiums, one of foreign technology offers and the other on technology demands of Indian enterprises, were compiled.

13. Decision IDB.13/Dec.8 makes special reference to regional forums. In this connection, it is worth underlining the forum organized annually by the Secretariat of the Preferential Trade Area for Eastern and Southern African States (PTA), now the Common Market for Eastern and Southern Africa (COMESA), the Commonwealth Secretariat and UNIDO. From 26 November to 1 December 1995, the COMESA forum will be held at Kampala, Uganda, and will concentrate on investment opportunities in selected COMESA countries, namely Eritrea, Ethiopia, Kenya and Uganda. A second regional forum, planned for the countries involved in the Black Sea Economic Cooperation Council, will involve Armenia, Bulgaria, Georgia, Republic of Moldova, Romania, Russian Federation, Turkey (as the seat of the Council) and the Ukraine. The Yanbian Invesmart, to be held in October 1995, is primarily directed at Chinese projects. However, visits by foreign investors to other countries of the Tumen River area (North East Asia) are programmed within the structure of the forum. In addition, UNIDO plans to hold an investment forum in Jordan on the occasion of the Middle East Economic Conference in October 1995.

III. TECHNICAL COOPERATION PROGRAMME
(IDB.13/Dec.8, para. (f)(v))

14. As in previous years, the industrial investment technical cooperation programme concentrated on assistance to developing countries in investment infrastructure and legislation and on identifying and formulating viable investment opportunities. A project that came to fruition in 1994 in Zambia is indicative of the direction and achievements of this programme. The project started in 1991, when UNIDO provided policy advice and drafted a new investment code for Zambia. A two-year institution-building technical cooperation programme, financed by the United Nations Development Programme (UNDP), was launched

in 1992 after the publication of the code, with UNIDO as the implementing agency. The objective was to develop the Zambia Investment Centre (ZIC) as a one-stop agency mandated to attract, encourage, promote and facilitate domestic and foreign investment; it has emerged as an efficient and effective parastatal organization in Zambia. To illustrate, in 1993, ZIC issued 376 investment licences for projects with an estimated total investment of $313 million and in 1994, 302 licenses were issued for projects with a total investment of $160 million. Some 20 per cent of the projects issued with investment licences are either already operational or under construction. As an added benefit, UNIDO is already using the facilities of ZIC to train staff from other investment promotion agencies in the region.

15. The technical cooperation projects in the developing countries relating to investment promotion are combined with a training programme centring on investment project preparation. This training programme is supported by Member States and reflects changing economic conditions. The fourteenth UNIDO course on industrial project preparation, appraisal and financing, convened in September 1994 at the Warsaw (Poland) School of Economics was financed by a special-purpose contribution from the Government of Poland. As in the previous year, the course was specially designed to account for realities of countries in transition from a centrally-planned to a market economy. The 23 participants of the three-week intensive training programme represented the following countries: Armenia, Belarus, Georgia, Lithuania, Poland, Romania, Russian Federation and Ukraine. The course encompassed investment, rehabilitation and restructuring projects that were presented through case studies, computer software systems and in-company training. The same type of programme is planned for September 1995, to be financed again largely through a special-purpose contribution from Poland.

IV. COOPERATION WITH INTERNATIONAL AND FINANCIAL ORGANIZATIONS
(IDB.13/Dec.8, para. (f)(iii))

16. At the eleventh investment promotion programme meeting - in which the Heads of Service of the IPS offices participate - a review of cooperative arrangements with major international and financial organizations was undertaken. UNIDO and the IPS office network have established sound working relations with the World Bank, the European Bank for Reconstruction and Development and the Multilateral Investment Guarantee Agency, as well as the regional development banks.

17. The goal of this collaboration is to secure financing for investment projects developed through the UNIDO Investment Service. Successful examples were cited where financing has been forthcoming, e.g. through the European Bank for Reconstruction and Development. Another illustration of international financial institutions taking advantage of preparatory analysis undertaken by UNIDO is found in Asia. Through an umbrella technical cooperation project — with a contribution of $8.4 million by the Government of Japan — capital, technology and managerial know-how are being transferred from the Japanese private sector to developing country industrialists. This UNIDO project, which targets small- and medium-sized enterprises, is one of the schemes by which the Japanese Ministry of International Trade and Industry is encouraging investment and is subsidizing pre-investment work in developing countries. Since early 1990, over 30 investment studies covering a wide range of industrial sectors have been carried out under the umbrella project. Four of them (in Bangladesh, China, Philippines and Turkey) have reached the project implementation phase, and for some 13 projects negotiations have reached an advanced stage. An example of such projects is the joint venture in Bangladesh that involves a total investment of $54 million, which is being financed by the Asian Development Bank, the International Finance Corporation and by Japanese as well as local partners. The aim is to produce high-quality cloth for export and to meet the demands of the ready-made garment sector of Bangladesh.

18. The soundness of UNIDO investment proposals is also gaining recognition with national financing institutions. In Italy, for example, projects that have been advanced through the project completion facility operated by the IPS office at Milan are accepted for financing by leading financial institutions in that country.

19. UNIDO has developed cooperative programmes with a number of international organizations, such as UNDP and UNCTAD. Joint programmes are being implemented with the European Commission and the new office expected to be established in Portugal will further extend UNIDO cooperation with the European Union. This cooperation was apparent at EUROPALIA, an event held in Paris in October 1994, jointly organized by the European Commission and the UNIDO IPS offices. The aim was to promote industrial cooperation between Europe and Latin America in the agro-industry sector. A total of 10 Latin American countries and over 400 European entrepreneurs took part. The success of EUROPALIA '94 led to the holding of EUROPALIA '95 in Brazil, and it will be held again in Europe in 1996. Similarly, the Commission and the IPS

Milan office have joined hands to prepare BORITEC '95 at Milan. BORITEC is a well-known international annual event, drawing potential investors throughout Europe interested in opportunities in developing countries and economies in transition. That event offers the opportunity to some 600 entrepreneurs from developing countries and economies in transition to present their investment proposals and industrial cooperation offers to an average of 4,000 business visitors from all over Europe.

20. Plans are being made for representatives from the European Commission to meet with senior staff of the UNIDO Investment Service and Heads of IPS offices to examine the various investment promotion programmes of UNIDO and the Commission and explore areas for closer cooperation.

V. DEVELOPMENT OF THE WORLD INVESTMENT NETWORK SERVICE
(IDB.13/Dec.8, para. (f)(iv))

21. During 1994 and 1995, considerable effort has been directed towards the development of the World Investment Network Service (WINS). The Internet is also being used at Headquarters to quickly disseminate to IPS offices information on investment projects and related matters. The current phase in the development of WINS is to establish direct contacts with investment promotion agencies (as well as UNIDO Country Directors and focal points of the Industrial and Technological Information Bank) in developing countries. Through WINS, UNIDO will be in a position to transmit rapidly and efficiently detailed investment proposals from business communities in the developing world to their counterparts in industrialized countries. The conversion of the standard project profile form to an electronic format will facilitate this process.

VI. ACTION REQUIRED OF THE BOARD

22. The Board may wish to take note of the present report and endorse the proposals of the Director-General regarding the fees and the appointment of National Professional Officers. In this event, the Board may wish to recommend to the General Conference the adoption of the following decision:

"The General Conference,

"Takes note of the report by the Director-General on industrial investment promotion (IDB.14/16-GC.6/5/Add.2) and decides to amend the Guidelines for the Functioning of the Investment Promotion Service Offices, approved in General Conference resolution GC.3/Res.19, as follows:

The new text of paragraph 11 as approved in General Conference resolution GC.3/Res.19 should read:

"11. Funding arrangements for IPSOs

"IPSOs shall be financed by their host countries, who shall make voluntary contributions to UNIDO adequate to meet the costs to the Organization. The funding for all expenditures including the charge for programme support services (overhead charge) shall be provided in convertible currencies, except that in countries with non-convertible currencies, funding for expenditures of IPSOs in local currency may be provided in such local currency, while the funding for all other expenditures including the charge for programme support services (overhead charge) shall be provided in convertible currency. A procedures and operations manual for the IPSOs shall be prepared.

"When requested by an interested country referred to in paragraph 4 above, UNIDO shall try to arrange extrabudgetary financing for the instalment and operating expenses of IPS offices established in developing countries. IPSOs may also raise additional resources by charging fees for services rendered on a cost-reimbursement basis."

The new text of paragraph 12 as reflected in document GC.3/13 and approved in General Conference resolution GC.3/Res.19 should read:

"12. Personnel arrangements for IPSOs

"The Head of the IPSO will be appointed by the Director-General of UNIDO in accordance with the regulations, rules and procedures of UNIDO and after consultation with the host Government. UNIDO will operate and supervise the IPSO. The Head and the staff will either be appointed under the 200 series of the UNIDO staff rules and have the status of international project personnel or will be appointed as locally recruited National Professional Officers, to whom the local salary scales apply as established by the International Civil Service Commission (ICSC) for this particular category of professional staff."

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INDUSTRIAL COOPERATION AND CONSULTATIONS (INCLUDING ECONOMIC AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES AND IMPLEMENTATION OF GENERAL ASSEMBLY RESOLUTION 47/153)

Economic and technical cooperation among developing countries

Report by the Director-General

Summary

Reports on a variety of approaches used to increase UNIDO support of, and mobilization of funds for, economic and technical cooperation among developing countries (ECDC/TCDC) programmes and discusses the emerging orientation of ECDC/TCDC activities.

CONTENTS

		Paragraphs	*Page*
Introduction		1	2
Chapter			
I.	GENERAL ORIENTATION	2 - 5	2
II.	SPECIFIC PROGRAMMES AND ACTIVITIES	6 - 20	3
III.	COORDINATION	21 - 24	4
IV.	ACTION REQUIRED OF THE BOARD	25	5

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Introduction

1. The present report is in compliance with decisions IDB.12/Dec.8 and IDB.13/Dec.21 of the Industrial Development Board, and also updates document IDB.12/3 on economic and technical cooperation among developing countries (ECDC/TCDC), which had been prepared in compliance with General Conference resolution GC.5/Res.10. The following text should be read in conjunction with the *Annual Report of UNIDO 1994* (IDB.14/10, chap. II.D), which also contains information on specific activities to promote ECDC/TCDC, particularly with respect to enterprise-level cooperation and human resource development.

I. GENERAL ORIENTATION

2. The changed international context of industrial development calls for a reorientation in regard to ECDC/TCDC. Firstly, the general decline in development assistance from the developed countries has prompted greater interaction and cooperation among developing countries themselves. Secondly, liberalized production trade and investment regimes and greater reliance on private sector development widen the scope for South-South cooperation. ECDC/TCDC no longer is solely a government or policy-related activity but offers major opportunities for enterprise-level cooperation, particularly in the private sector. Thirdly, intensified regional and subregional integration endeavours among developing countries require an enhanced and integrated industrial production and export capacity in concerned cooperation schemes.

3. The record of past industrial cooperation between developing countries has been mixed for a variety of reasons including attitudinal factors, institutional weaknesses, inadequate information and lack of necessary technical and professional support. Developing countries must be supported to overcome these and other constraints if the full potential of South-South cooperation is to be released.

4. In the restructured UNIDO, ECDC/TCDC is to play an important role in the fulfilment of the five development objectives. ECDC/TCDC thus constitutes an integral dimension of the overall work programme of UNIDO and in particular of the following Major Programmes:

(a) In Country Strategy and Programme Development (300), the key tasks carried out in respect of ECDC/TCDC are the development of technical cooperation programmes and projects in which South-South cooperation is given particular attention through specific project activities and inputs. Programmes are also developed to specifically support interregional and regional cooperation as well as to assist in the build-up of regional and subregional schemes;

(b) Mobilization and Management of Financial Resources (400) actively carries out fund mobilization efforts in support of ECDC/TCDC programmes;

(c) Information and Research (500) covers activities that provide research services and data including industrial statistics in support of South-South cooperation concepts and policies. Industrial information services are being rendered to connect various developing countries in networks for data exchange;

(d) Human Resource, Enterprise and Private Sector Development (600) facilitates, *inter alia*, the utilization of training capacities in various developing countries for trainees from other countries. In the field of small and medium enterprises, subcontracting of arrangements and partnerships is provided;

(e) In Industrial Sectors and Environment (700), advisory services and technical cooperation activities include the fostering of South-South cooperation in selected industrial subsectors and in environment protection;

(f) Investment and Technology Promotion (800) is explicitly geared to strengthening ECDC/TCDC. Besides promoting South-South cooperation in investment and technology at policy, institutional and enterprise levels, this Major Programme coordinates ECDC/TCDC activities of the Organization as a whole;

(g) Through Operational Support Services (1000) experts and other resources in developing countries are contracted for technical cooperation projects.

5. In addition, efforts have been made to initiate new approaches for ECDC/TCDC. These initiatives include the following areas:

(a) Support to existing organizations and mechanisms for interregional, regional and subregional cooperation in the field of industry. Activities foreseen in this respect include a survey of specific industrial cooperation projects and priorities of various regional and subregional intergovernmental organizations. On this basis selected pilot cases will be taken up for support through technical and advisory activities.

(b) Increased support to industrial development of the least developed countries (LDCs) with special reference to human resource development and small scale industry.

(c) Promotion of ECDC/TCDC activities in key emerging issues for developing countries such as development of the automotive and telecommunications industries and harmonization of industrial standards within regions and subregions. The cases of the automotive and telecommunications industries have been taken up for specific examination at expert group meetings to be convened in 1995.

II. SPECIFIC PROGRAMMES AND ACTIVITIES

6. Among the specific UNIDO programmes and activities promoting ECDC/TCDC, some warrant more detailed description. This concerns in particular the investment and technology promotion services, information services and various initiatives for subsector and other technical and policy cooperation between developing countries. The information presented below on those programmes supplements the respective parts of the *Annual Report of UNIDO 1994*.

A. Interregional, regional and subregional cooperation
(GC.5/Res.10, para. 1 (b))

7. The first meeting of the Regional Forum on Industrial Policies in Latin America and the Caribbean, held at San José, Costa Rica, in October 1994, was an example of UNIDO support in building up South consciousness for cooperation prospects and approaches. The meeting was sponsored by UNIDO with the support of the Latin American Economic System (SELA), Inter-American Development Bank, Economic Commission for Latin America and the Caribbean and Programa Bolivar. As a result of the Forum, a multi-agency preparatory committee was established to formulate and coordinate the final programme of activities for the 1995-1996 biennium. In June 1994, a set of policy and strategy recommendations to achieve sustained industrial growth and harmonization in the region was adopted.

8. With the active involvement of India and Mexico, a computer-aided decision support system has been developed as a tool for the formulation of competitiveness strategies. The model could be used by UNIDO and by developing countries at industrial enterprise and policy formulation levels.

9. UNIDO sponsored and organized visits of chief executives of African, Arab and Latin American iron and steel associations to their counterparts in Asia in July 1994 (IDB.14/10, chap. II.D, para. 177). Visits were made to steel companies and research and development institutions in several countries, including Malaysia, the Republic of Korea and Singapore. These meetings promoted great interest in further cooperation between iron and steel associations in such aspects as technological process, environmental management, engineering and equipment, international marketing and training.

10. Several countries have indicated interest in the Latin America and Caribbean regional harmonization programme proposed as a follow-up to the 1994 timber structural design codes workshop, and possibilities for funds mobilization are being examined.

11. Under the Regional Network on Pesticides for Asia and the Pacific and within the framework of the Farmer-Centered Agricultural Resource Management (FARM) programme of the United Nations Development Programme (UNDP), a workshop was conducted in the Philippines, attended by 50 participants from the region, that dealt with risk reduction in pesticide development. A workshop on pesticide data collection systems was held in Thailand in cooperation with the International Cooperation Centre of Agricultural Research for Development and the Economic and Social Commission for Asia and the Pacific. The workshop was attended by 30 participants from the region.

12. In cooperation with the Southern African Transport and Communications Commission, a workshop also took place in Zimbabwe to create regional awareness of environmental tropicalization and calibration of telecommunications equipment. The workshop was part of ongoing UNIDO activities for the establishment of a regional environment testing and tropicalization centre for telecommunications equipment.

B. Investment and technology cooperation
(GC.5/Res.10, para. 1 (e); IDB.12/Dec.8, para. c (ii))

13. Particular consideration is given to ideas emanating from the Report of the South Commission[1] on the promotion of joint ventures, exchange of visits by business delegates and creation of a more favourable policy environment for joint ventures within the South. Thus, in UNIDO investment promotion programmes, ECDC/TCDC constitutes an important element. These programmes and related activities are described in document GC.6/11-IDB.14/16 on industrial investment promotion.

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[1] *The challenge to the South, the Report of the South Commission*, (Oxford University Press), pp. 180-186.

14. Intensified regional integration efforts must be complemented by adequate industrial and technological capacity. The effectiveness of Techmarts as a mechanism to respond to developing countries' demand for improved access to technology sources is reflected in document IDB.13/12, paragraphs 41 and 42, as well as in the *Annual Report of UNIDO 1994* (*ibid.*, paras. 174 and 176). Comprehensive, indexed catalogues provide information on technology offers and requests from participants from developing and developed countries. Parallel seminars enable participants to enter into technology negotiation, acquisition and transfer. In the current biennium Techmarts have been held in New Delhi (1995) and Hanoi (1994).

C. Information systems
(GC.5/Res.10, para. 1 (a))

15. Efforts are being made to strengthen the Industrial and Technological Information Bank (INTIB) network and enhance the information flow so as to support ECDC/TCDC. A network approach to information handling developed by INTIB is expected to unify techniques in information processing and to create a greater awareness in organizing information, thereby increasing the exchange of business and industrial information among developing countries.

16. In order to redirect queries received by INTIB (either in Vienna or in the national focal points) to a wide range of well-targeted sources of industrial and technological information, a special Information Referral System was designed. The system provides INTIB customers, mainly in developing countries, with a wider spectrum of more up-to-date industrial technological information which can serve the strengthening of ECDC/TCDC.

D. Utilization of experts, equipment and services from developing countries
(GC.5/Res.10, para. 1 (d) and IDB.12/Dec.8, para. c (iii))

17. Efforts were continued to increase the utilization of experts, services and equipment from developing countries for UNIDO technical cooperation projects. A list indicating the nationality of experts appointed in 1994 is provided in the addendum to the Annual Report of UNIDO for that year (IDB.14/10/Add.1, appendix F). Equipment and supplies totalling $8.9 million were purchased from developing countries in 1994, which represented 39 per cent of the total purchased by UNIDO for technical cooperation purposes in that year. The Contracts Unit awarded 71 contracts with a total value of $2.6 million to developing countries, accounting for 26 per cent of total 1994 contracts concluded by UNIDO for technical cooperation purposes.

E. Financial support
(GC.5/Res.10, para. 1 (c) and IDB.12/Dec.8, para. c (ii))

18. Resource mobilization efforts in support of South-South cooperation were pursued through the ECDC/TCDC programme. These endeavours focused on a variety of financial sources, in particular the Industrial Development Fund (IDF), third party trust funds and the Regular Programme of Technical Cooperation.

19. The level of approvals of IDF projects with ECDC components reflects the sectoral/thematic priorities of IDF donors. Such approvals amounted in 1994 to $379,163 or nearly 2 per cent of all IDF projects approved. Recently, special efforts have been undertaken to increase the mobilization of IDF funds from developing countries. Traditionally, ECDC/TCDC activities have been primarily supported by only a few developing countries, such as China and India. Special support to ECDC/TCDC activities was also provided by developing countries through in-kind contributions to regional projects. A number of developing countries have been approached to consider providing special-purpose contributions in local currency.

20. In comparison, the Regular Programme—which is freely programmed by UNIDO—continues to strongly support projects with an ECDC component. Approvals in 1994 amounted to $716,431, or 15.3 per cent of total Regular Programme projects approved. The Regular programme of Technical Cooperation, including the technical cooperation component for the Industrial Development Decade for Africa, is being increasingly used to complement contributions to IDF and as seed money to generate further financial resources for ECDC/TCDC.

III. COORDINATION
(IDB.13/Dec.21, para. b (ii))

21. Given the interdisciplinary nature of the ECDC/TCDC programme and the fact that South-South cooperation constitutes a component of most Major Programmes of UNIDO, overall coordination assumes crucial importance.

22. Following Board decision IDB.13/Dec.21, the Industrial Cooperation and Consultations Service convened an interdivisional meeting to strengthen activities relating to ECDC/TCDC. Such meetings will be held regularly in future. The same decision requested the Director-General to consider covering the theme of ECDC/TCDC in workshops, seminars and training activities of UNIDO staff. This has been brought to the notice of the division concerned.

23. In this regard two interdivisional meetings have been convened in 1995. The first was to follow up on the recommendations of the consultation meeting on downstream petrochemicals, and the second to formulate a strategy and programme for an expert group meeting on the automotive industry for selected developing countries.

24. Coordination of ECDC/TCDC programmes with the United Nations system as a whole is another essential requirement. UNIDO will participate in and contribute to the preparations for the ninth session of the High-level Committee on Technical Cooperation among Developing Countries to be convened under the auspices of UNDP from 30 May to 3 June 1995. That session is expected to be followed by a conference on South-South cooperation in 1996.

IV. ACTION REQUIRED OF THE BOARD

25. The Board may wish to take note of the information contained in the present report.

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THE REGIONAL DIMENSION

Special Programme for the Industrial Development of Asia and the Pacific

Report by the Director-General

Summary

Provides information on aspects of the Special Programme highlighted by the General Conference, including intercountry cooperation, the focus on the least developed countries in the region and funds mobilization.

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 2	2
Chapter			
I.	ENHANCEMENT OF INTERCOUNTRY COOPERATION	3 - 5	2
II.	FOCUS ON SPECIAL NEEDS OF LDCS	6 - 10	2
III.	FUNDS MOBILIZATION	11 - 12	3
IV.	INTEGRATION WITH OTHER UNIDO PROGRAMMES INCLUDING INVESTMENT PROMOTION	13 - 16	3
V.	REGIONAL MEETING ON UNIDO ACTIVITIES	17	4
VI.	ACTION REQUIRED OF THE BOARD	18	4

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Introduction

1. In response to General Conference resolution GC.5/Res.14 and other mandates of the policy-making organs, efforts to strengthen and develop the Special Programme for the Industrial Development of Asia and the Pacific continued apace. One feature is a sharper focus on the special needs of the least developed countries (LDCs) consistent with the approach endorsed by the policy-making organs.

2. The present document should be considered in conjunction with the *Annual Report of UNIDO 1994* (IDB.14/10, chap. III.D), which provides a general overview of current trends in manufacturing as well as information on UNIDO activities in the region.

I. ENHANCEMENT OF INTERCOUNTRY COOPERATION

(GC.5/Res.14, para. 2 (a))

3. UNIDO has been associated with the implementation of the United Nations Development Programme (UNDP) intercountry programme and participated in the recently concluded regional development cooperation in Asia and the Pacific meeting held at Kuala Lumpur, Malaysia, at which a mid-term review of the fifth intercountry programme (ICP5) was undertaken and connected development issues of the region were discussed. UNIDO's association with ICP5 has been as the implementing agency of the pesticide production and information and the biotechnology and biodiversity subprogramme of the regional programme on farmer-centred agricultural resource management (FARM).

4. In the implementation of the FARM biotechnology and biodiversity subprogramme, UNIDO's efforts are concentrated on the establishment of an Asian bioinformatics network and on assessments of potential new biotechnologies to contribute to the characterization and conservation of biodiversity in farming communities.

5. Regional projects approved in 1993-1994 included the following: a programme for the containment of environmental degradation emanating from tannery effluents, energy-saving technologies in ceramic and cement industries, a seminar for new technologies for environmental protection in the sugar-cane industry, environmental protection in chemical industries consistent with the recommendations of Agenda 21.

II. FOCUS ON SPECIAL NEEDS OF LDCS

(GC.5/Res.14, para. 2 (a))

6. The Annual Report of UNIDO, 1994 describes the subsector focus of the Special Programme on agro-related metal-working industries of LDCs in the region (IDB.14/10, chap. III.D, para. 41). Arrangements for financing of the first and second phases of the joint project with the Regional Network for Agricultural Machinery (RNAM) of the Economic and Social Commission for Asia and the Pacific (ESCAP) are also covered in that report. Gender issues are emphasized in the second project phase. Additional resources from special-purpose contributions to the Industrial Development Fund (IDF) are being sought to further elaborate the programme.

7. In view of the diversity and complexity of the constraints and limitations of resources for regional activities, a comprehensive regional thematic programme, although desirable, is not likely to be cost-effective for the time being. The constraints identified will, however, be addressed in a selected manner through regional and country-specific interventions providing direct support to existing and planned programmes and projects in the countries concerned. The objective is to promote rural development in the LDCs of the region through indigenous processing of agricultural and particularly food products, thus providing an economically viable dimension to national efforts to develop cottage, small- and medium-scale industries.

8. The group of LDCs in the Asia and Pacific region includes a wide variety of countries, ranging from Bangladesh with a population of 110 million to Western Samoa with less than 200,000. The industrial base in the countries studied varies from fairly diversified and sophisticated R and D and manufacturing activities in Bangladesh and Myanmar to simple cottage-level production in the Lao People's Democratic Republic and the Pacific Island countries. The urgent need for more diversified economic activity in food processing is, however, perceived in each country and a number of constraints have been revealed that can be seen as common to most of them. These include:

(a) Inadequate policies with weak links between agricultural and industrial policies;

(b) Limited supply and inconsistent quality of raw materials;

(c) Low level of human resources at managerial, entrepreneurial and skill levels;

(d) Insufficient knowledge of packaging technology;

(e) Poor food security systems and quality control facilities;

(f) Lack of support and applied R and D services and extension facilities, coupled with weak links of existing services with enterprises; and

(g) Particular limitations related to the access of women to raw materials, credit, technology, education and training.

9. UNIDO is endeavouring to adopt a strategy to reach the target groups through a synergy of activities supplementing ongoing and planned development programmes and projects with specific interventions. A detailed description of country-level plans, including the intermediaries identified in each, is available from the Secretariat.

10. The proposed UNIDO responses and institutional arrangements will mostly consist of services to be mobilized at the country level in support of specific national programmes. However, the following four regional support projects have already been formulated or are being implemented with UNIDO resources and further regional activities will be pursued in close cooperation with ESCAP and other relevant organizations.

(a) Application of mushroom biotechnology and bioconversion technologies for sustainable small industries development: The project has a particular emphasis on the LDCs of the region to promote and develop food-processing industries and create a global, international bio-informatics network of resource centres in support of mushroom and related biotechnology industries, self-sustaining quality control, and training centres in bioconversion technologies.

(b) Training programme on quality management in the food industry in LDCs: Following analysis and programme formulation on food-processing industries in Asia and Pacific LDCs under the Special Programme, the issue of limited capabilities in testing and quality control of food and processed foods has emerged as one of the key problems facing this industry. Group training to be held at the Asian Institute of Technology from 14 August to 2 September 1995 will address this issue.

(c) Ad hoc expert group meeting on food safety and control systems (Bangkok, Thailand, September 1995): Following the group training programme (para. 10 (b) above), an expert group meeting will be convened in cooperation with ESCAP. This will enable the LDCs of the region to evaluate their experience and update their knowledge on the application of food safety and control systems.

(d) Workshop on promoting awareness and opportunities for appropriate biotechnologies in small-scale agricultural and industrial development (Manila, Philippines, November 1995): A programme has been launched to increase awareness and opportunities for the integration of new biotechnologies with indigenous knowledge through a partnership initiative with the non-governmental organization (NGO) network dealing with appropriate technology promotion in the region. Members of the NGO network will be introduced to various UNIDO biotechnology resources, especially UNIDO-promoted biotechnology networks in the region, and briefed on the benefits and risks of biotechnology. Access to resources and databases will be demonstrated and promoted. Possible joint technical cooperation projects will be identified as a follow-up.

III. FUNDS MOBILIZATION
(GC.5/Res.14, para. 2 (b))

11. A substantial portion of programmes approved during 1993-1994 under UNIDO-managed resources was for regional and subregional projects (see paras. 5 and 10 above). Regular Programme of Technical Assistance funds of about $0.70 million and $1.64 million from IDF were devoted to regional programmes during the period. This did not include trust fund projects amounting to $0.57 million approved during the same period.

12. Paragraphs 3 and 4 above provide details on the involvement of UNIDO in the intercountry and other UNDP programmes. However, most of the projects proposed for financing under the UNDP intercountry programme for 1992-1996 did not materialize due to resource constraints.

IV. INTEGRATION WITH OTHER UNIDO PROGRAMMES INCLUDING INVESTMENT PROMOTION
(GC.5/Res.14, para. (d))

13. Special attention was given to gender issues in the form of regional-level identification of patterns, trends and issues affecting women's participation in economic and industrial fields. The output of this project will be utilized for the Fourth World Conference for Women in September 1995 at Beijing, China. In addition, in an

October 1994 expert group meeting, private enterprises, women's organizations and Governments of the region were provided with information on current and potential sustainable economic development in selected industrial subsectors of the region. As mentioned in paragraph 6 above, emphasis will be placed on gender issues in the project on agro-related metalworking industries.

14. For the promotion of direct investment and technology transfer, particularly in the field of machine tools, a pilot programme with a strong element of economic cooperation among development countries (ECDC) was launched. Also approved in 1993-1994 were the seminars on technology management and industrial development, workshops for the telecommunication software and equipment industry, group training in supplies and stock management of railway spare parts, a workshop on modern technologies for water and wastewater treatment, and upgrading the knowledge of the government officials and industrial plant technicians on the rational use of energy-saving technologies in food-processing and plastics industries.

15. Keeping in view the outward-looking, export-led industrialization policies of most of the countries of the region on the one hand, and on the other the globalization of the world economy and the consequent importance of quality improvement in an extremely competitive environment, a special need arises to institute improved quality control and standardization, in particular to apply ISO 9000 and ISO 14000. Consequently, programmes were developed by UNIDO to create the necessary awareness at the level of policy makers and Governments.

16. In order to respond to and support investment promotion efforts by a number of Governments in the region, assistance has been provided in formulation and implementation of programmes consisting of project identification, appraisal and promotion and of preparation of investors' guides. National capabilities in investment promotion have been strengthened by the training of counterpart staff at Investment Promotion Service offices or in specific group training programmes. Support has also been extended to setting up or strengthening national investment promotion offices.

V. REGIONAL MEETING ON UNIDO ACTIVITIES
(GC.5/Res.14, para. 2 (f))

17. In pursuance of General Conference resolution GC.5/Res.14, and in order to formulate a perspective for competitive industrial development in the region within the context of evolving global developments, negotiations are under way with a number of Governments for the holding of a regional meeting prior to the sixth session of the General Conference. Information on the latest developments in that respect will be communicated to the Board during its fourteenth session.

VI. ACTION REQUIRED OF THE BOARD

18. The Board may wish to take note of the information provided in the present report.

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THE REGIONAL DIMENSION

Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean

Report by the Director-General

Summary

Reports on the implementation of actions called for by the Board in decision IDB.11/Dec.11 and the General Conference in resolution GC.5/Res.15 in relation to the Regional Cooperation Programme.

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 2	2
Chapter			
I.	IMPLEMENTATION OF APPROVED PROJECTS	3 - 7	2
II.	ENHANCEMENT OF QUALITY AND INTERACTION WITH ACTORS IN THE REGION	8 - 12	2
III.	IDENTIFICATION OF NEW PROGRAMMES AND PROJECTS	13 - 24	3
IV.	ACTION REQUIRED OF THE BOARD	25	4

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Introduction

1. Implementation of the UNIDO programme in Latin America and the Caribbean continued along well-established lines, such as small and medium enterprises, training, investment promotion and technical cooperation at the subsectoral level. However, in line with new demands stemming from current policy challenges faced by the countries of the region, the programme is also experiencing important new departures such as in the environment (Montreal Protocol, cleaner production centres) and regional integration fields. Closer cooperation with such regional organizations as the Inter-American Development Bank, the Economic Commission for Latin America and the Caribbean (ECLAC) and the Latin American Economic System (SELA) represented an important feature of both the Regional Cooperation Programme and the overall UNIDO programme in the region.

2. General Conference resolution GC.5/Res.15 highlighted a number of aspects related to the implementation of the Regional Cooperation Programme. The present document is submitted in compliance with paragraph 2 of that resolution and should be read in conjunction with the review of recent development trends in the Latin America and Caribbean region contained in the *Annual Report of UNIDO 1994* (IDB.14/10, chap. III.F). The following chapters are organized in accordance with the specific paragraphs of General Conference resolution GC.5/Res.15, or Industrial Development Board decision IDB.11/Dec.11, to which they refer.

I. IMPLEMENTATION OF APPROVED PROJECTS

(IDB.11/Dec.11 and GC.5/Res.15, para. 1 (a))

3. Under the regional programme for modernization of the capital goods industry, all the software developed within the project was successfully tested in over 100 pilot enterprises. The broad acceptance of that software has led UNIDO to initiate translation into other official languages for use in technical cooperation programmes. A network has been started linking established national centres of excellence. Further activities and actions will be discussed at a meeting with national counterparts in July 1995.

4. Costa Rica recently became the fourteenth member of the UNIDO industrial subcontracting programme regional network, with El Salvador, Honduras and Nicaragua expected to join in the near future. The sixth coordination seminar held in Guatemala in March 1995 provided a framework for discussions for further improvement of the programme. Two sub-contracting exhibitions are planned for the second half of 1995 in Bolivia and Paraguay.

5. In the biotechnology programme, three training workshops were organized in the first half of 1995, with two more foreseen in the second half. In a January 1995 meeting, the Board of Directors of the programme officially requested United Nations Development Programme (UNDP) support for a third phase. In order to enhance the multiplier effect of the programme, closer cooperation modalities with other UNIDO programmes, such as the International Centre for Genetic Engineering and Biotechnology, and other international institutions are being studied.

6. Since it started in 1987 with the financial support of UNDP, the regional programme for biotechnology has managed to establish a network with the participation of 13 Latin American countries. Its first phase (1987-1993) funded research projects in industrial biotechnology, agrobiotechnology and health biotechnology, several of which reached pilot plant scale, and a number of workshops/seminars/fellowships. The second phase, which started in 1993 and will finish in 1996, has concentrated mostly on training courses or workshops, such as the industrial utilization of medicinal plants and the application of biotechnology to the treatment of industrial residues.

7. In response to mandates from Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) emanating from the last two meetings of Presidents of those countries, UNIDO has initiated preparatory activities to support the private and the public sectors. The aim is to elaborate and formulate common subregional strategies and policies for improved competitiveness and performance of selected industrial subsectors and to develop a more proactive role for the private sector. Following this preparatory phase, the framework is planned for a larger programme for which funds would have to be mobilized.

II. ENHANCEMENT OF QUALITY AND INTERACTION WITH ACTORS IN THE REGION

(GC.5/Res.15, para. 1 (b) and 1 (c))

8. With the participation of government officials and industrialists from selected countries of the region, initiatives have been undertaken for enhancing synergy with regional organizations and for strengthening the dialogue with Member States on the development of the Regional Cooperation Programme.

9. The first meeting of the Regional Forum on Industrial Policies in Latin America and the Caribbean

was organized jointly with SELA at San José, Costa Rica, in October 1994, with the participation of the Inter-American Development Bank, ECLAC, Caribbean Community (CARICOM), Cartagena Agreement (JUNAC) and Programa Bolívar. The meeting was instrumental in providing a substantive framework for the exchange of expertise among the actors involved in industrial development, such as government officials, industry and labour organizations, entrepreneurs, R and D institutions and international organizations. The meeting highlighted the formulation and implementation of sectoral policies and strategies for enhancing the sustainability of the Latin American industrial sector *vis-à-vis* necessary competition and national and international markets. UNIDO activities in the region were presented. The results of the meeting were discussed with representatives of the Group of Latin American Countries in Vienna in December 1994.

10. In pursuit of further improvements in the quality of its programmes in the region and of optimization of available resources, UNIDO participated in the first meeting of the Latin American Inter-Agency Co-ordination Committee of the Regional Forum on Industrial Policies (May 1995). Concrete synergies among ongoing and planned programmes were discussed and analysed, and an initial common programme framework for the region was developed for the biennium 1995-1996.

11. An expert group meeting on regional strategies in the context of emerging environmental standards and the promotion of quality improvement in the SME sector will be organized for the fourth quarter of 1995. The meeting will be organized in cooperation with ALADI and COPANT with the following main objectives: (a) the creation of a Latin American network of quality accreditation institutions, and (b) the development of training programmes needed to implement and promote quality and environmental standards. Such programmes could include environmental and quality auditing, metrology and quality and environment management.

12. Closer cooperation with the different sub-regional groupings has been sought, particularly in Central America, the Caribbean and the Southern Cone. The UNIDO MERCOSUR programme has produced seven documents, including two subsectoral diagnoses of competitiveness. These reports have been very well received by the counterparts, particularly as inputs for the work of the subgroup on industrial and technological policy. This line of work has led to further cooperation. The subsectoral reports of both UNIDO and the Inter-American Development Bank were presented and discussed with private sector representatives and senior government officials at a seminar on competitiveness in Sao Paulo, Brazil, in September 1994. The MERCOSUR Committee for Technical Cooperation has issued an official request for UNIDO to undertake a project on technical and economic indicators of subsectoral competitiveness. In addition, a cooperation agreement is in progress with the MERCOSUR Industrial Council, which represents the private sector of the four member countries.

III. IDENTIFICATION OF NEW PROGRAMMES AND PROJECTS

(IDB.11/Dec.11 and GC.5/Res.15, paras. 1 (a) and 1 (d))

13. A regional meeting with Ministers of Industry being organized for the fourth quarter of 1995 will highlight issues of concern for the Governments of the region, *inter alia*:

(a) New industrial strategies and policies to face globalization and regional development integration;

(b) Quality and competitiveness: upgrading national capacities and continuous improvement programmes;

(c) Private sector development, with particular emphasis on small and medium enterprises;

(d) Upgrading national capacities at the institutional level for cooperation in and development of technology and environmental protection;

(e) Investment promotion and strategic alliances.

14. Progress as well as the future orientation of the Regional Cooperation Programme will be reviewed in depth jointly with the respective national counterparts in a preliminary session to the meeting of Ministers of Industry. Selected current proposals are described in the following paragraphs.

15. The review of the achievements attained under the regional programme for modernization of the capital goods industry will be complemented with the results of surveys on the status of the implementation of quality and environmental management programmes in the region. This exercise will become the core input for the formulation of a regional programme for improving international competitiveness of the Latin American productive sector by enhancing its quality and environment performance.

16. The next phase of the biotechnology programme will focus mainly on project management, the commercialization of biotechnological products, legal aspects, application of biotechnology for the solution of

environmental problems and bioinformatics. Since the substantive financial support from UNDP in the first two phases will be reduced in the next, new financial alternatives are being investigated.

17. An assessment of the potentials for development of SME clusters in specific industrial sectors in the countries of Central America will be initiated within the near future. Upon completion of the study a strategy for development of the SME sector in the subregion will be developed.

18. The subcontracting programme will continue its efforts to enlarge the network, but complementary actions will be also undertaken to enhance cooperation between suppliers and users. A programme of assistance will be formulated for establishing increased assistance to the subcontractors in matters such as product design, engineering, input acquisition and marketing.

19. Preliminary activities have been initiated for developing of cooperation mechanisms in improving the technological innovation capacity of the countries of the region. A regional programme for enhancing and promoting the establishment of business and technology incubators is under development and the establishment of a network of incubators is being promoted.

20. Work is under way to identify technical measures that need to be implemented by the Governments of the region within the framework of increasing dissemination of quality standards (ISO 9000) and emerging environmental standards (ISO 14000). To that end, surveys have been concluded aimed at assessing the potential impact of those standards on the international trade of selected countries of the region. Cooperation has been established in this area with such regional organizations as the Latin American Association for Integration (ALADI) and the Pan-American Commission of Technical Norms (COPANT).

21. During a mission of the Director-General to Havana in May 1995, a series of meetings took place with high-level officials to further develop UNIDO cooperation with Cuba. During the course of discussions, the Director-General provided information about UNIDO's reform efforts and the Cuban authorities highlighted their strategies for Cuban reform and opening of the economy.

22. An investment promotion project is one of 11 technical cooperation projects under implementation by UNIDO in Cuba. During his mission the Director-General participated in the opening of an office in the National Investment Promotion Centre in Havana, which will benefit from linkage to the UNIDO World Investment Network Service (WINS).

23. A review was made of UNIDO assistance to Cuba in the areas of industrial restructuring, investment promotion, small- and medium-scale industry and management training. In particular, emphasis will be attached to the restructuring of the light industry sector as a means to promote the development of local suppliers in the food sector, furniture, textiles, etc., especially for the tourism-related industry. In this context, the need to increase the national capacity to satisfy internal demand and to promote exports to other countries of the region was pointed out. At the regional level the possibility of conceiving a cooperation programme in the context of the Caribbean countries is being examined. Such a regional programme would lead to more effective coverage of UNIDO's assisting capabilities to the industrial sector to which all Caribbean countries attach a high priority.

24. Discussions in May 1995 with the Government and the private sector of Mexico have led to the identification of priority actions that should be undertaken in the fields of small- and medium-scale industry development, industrial competitiveness, investment promotion and environmental protection. UNIDO cooperation with Mexican industrialists was discussed with the President of the National Federation of Chambers of Industry, who expressed his interest in opening an Investment Promotion Service office to be financed by the Federation.

IV. ACTION REQUIRED OF THE BOARD

25. The Board may wish to take note of the information provided in the present document.

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REPORT OF THE PROGRAMME AND BUDGET COMMITTEE: FINANCIAL SITUATION OF UNIDO

Information on developments concerning the unified conference service

Report by the Director-General

Summary

Reports on the implementation of decision GC.5/Dec.19 concerning the establishment of a unified conference service in Vienna under United Nations administration and presents revised regular budget estimates for the biennium 1994-1995 in respect of those programmes affected by the new arrangements, which became effective on 1 April 1995.

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 2	2
Chapter			
I.	BACKGROUND	3 - 8	2
II.	IMPLEMENTATION OF NEW ARRANGEMENTS	9 - 16	2
III.	UNIDO BUDGETARY ADJUSTMENTS, 1994-1995	17 - 21	3
IV.	FINANCIAL IMPLEMENTATION, 1994-1995	22 - 24	4
V.	ACTION REQUIRED OF THE BOARD	25	4
Annexes			
I.	Budgetary impact of language and documentation services transfer		5
II.	Posts established under the regular budget in 1994-1995		6
III.	Revised appropriations for 1994-1995		7
IV.	Revisions to decision GC.5/Dec.18		9

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Introduction

1. In its decision GC.5/Dec.19, the General Conference urged the Director-General to finalize with the United Nations as soon as possible the arrangements for the transfer of administrative responsibility for conference services from UNIDO to the United Nations Office at Vienna (UNOV) effective 1 January 1995.

2. The present document reports on the implementation of that decision and presents the financial adjustments to the approved programme and budgets, 1994-1995, within the resource allocations of those programmes affected by the implementation of the new arrangements.

I. BACKGROUND

3. Under the terms of the agreement signed on 29 October 1985 between the United Nations and UNIDO, responsibility for the provision of joint conference services was shared by the two Organizations, as follows:

> UNIDO: Responsible for language and documentation services, including translation, typing, editorial control, publication, printing, documents control and distribution;
>
> UNOV: Responsible for meetings planning and interpretation services.

4. The agreed arrangements in respect of the joint services were not intended to be of a permanent nature and the United Nations subsequently undertook discussions with the International Atomic Energy Agency (IAEA) and UNIDO with a view to obtaining agreement on the establishment of a single conference servicing operation in Vienna. Pending the outcome of those discussions, staff occupying UNIDO posts in the Languages and Documentation Service retained their United Nations contracts, and new appointees to the service were given United Nations appointments.

5. A series of resolutions adopted by the United Nations General Assembly (39/68 of 13 December 1984, 39/242 of 18 December 1984, 44/201 A of 21 December 1989 and 45/248 A of 21 December 1990) represented the legislative mandates for the ensuing negotiations. The negotiations took place under the auspices of the Advisory Committee for Conference Services, comprising representatives of IAEA, UNIDO and the United Nations. Little progress was made in reaching agreement on a unified conference service in Vienna, except for the proposal for a common interpretation service under United Nations administration, which was introduced from 1 January 1992. The IAEA position in respect of other conference services, such as translation and related services, was that the specialized requirements of IAEA could not be met through a common service under United Nations administration.

6. Negotiations between the United Nations and UNIDO intensified in 1990 and 1991, and although agreement in principle on establishing a unified conference service was reached, the question of organizational responsibility for administering the service remained unresolved.

7. In January 1993, the United Nations informed UNIDO that the conference servicing arrangements agreed between United Nations and UNIDO on 29 October 1985 would cease effective 31 December 1995. It therefore became imperative that the question of future conference servicing arrangements in Vienna be speedily resolved. The anticipated high cost of establishing separate conference services for UNIDO and the United Nations, which was being considered by the United Nations, reinforced the view that maintaining a joint conference service would be the most cost-efficient system for both Organizations.

8. Following an exchange of letters between senior officials of the United Nations and UNIDO, UNIDO agreed to consider a plan for the transfer of administrative responsibility for conference services from UNIDO to UNOV as communicated to the Industrial Development Board in June 1993 (IDB.11/21). The decision of the Board (IDB.11/Dec.27) in support of the transfer proposal was confirmed by the General Conference of UNIDO in December 1993, which, *inter alia*, urged the Director-General to finalize with the United Nations as soon as possible the arrangements for the transfer of administrative responsibility for conference services from UNIDO to the United Nations Office at Vienna (decision GC.5/Dec.19).

II. IMPLEMENTATION OF NEW ARRANGEMENTS

9. The transfer of administrative responsibility from UNIDO to UNOV entails financial implications for the 1994-1995 budgets of both the United Nations and UNIDO. Following discussions between UNIDO and the United Nations on the proposal responding to the mandates of the United Nations General Assembly and the UNIDO General Conference, a report was prepared by the Secretary-General on revised estimates for conference services at Vienna (A/C.5/49/24).

10. The Advisory Committee on Administrative and Budgetary Questions in its report of 17 February 1995

(A/49/7/Add.9), recommended the establishment of a unified conference service at the Vienna International Centre under the management of the United Nations effective 1 April 1995. The General Assembly approved the proposals of the Secretary-General in resolution 49/237.

11. Negotiations were carried out throughout 1994 between UNIDO and the United Nations on the modalities for implementing the transfer of administrative responsibility. With a view to preparing an agreement on the unified conference service, the following developments took place:

(a) **Transfer of staff from UNIDO to UNOV**

12. The UNIDO programme and budgets, 1994-1995, included provision for established posts in Programme 1120 (Languages and Documentation). These comprised 49 Professional and 79 General Service posts which, together with the staff occupying these posts, were transferred to UNOV with effect from 1 April 1995. The transfer was implemented without problems and administrative responsibility has been assumed by UNOV.

(b) **Budgetary provisions**

13. Under the previous arrangements, the expenditures for the provision of language and documentation services were recorded against budgetary allocations in both the United Nations and UNIDO budgets. The total costs incurred by both Organizations were shared and, where applicable, income credited against the UNIDO budget. The new arrangements provide for gross budgeting by the administering organization (UNOV) offset by expected income from user organizations equal to their budgetary provisions. The introduction of gross budgeting for the unified conference service will simplify the budgetary presentation of the conference servicing requirements of both Organizations. UNIDO's financial reporting on conference servicing budgetary provisions and expenditures will be more transparent and should lead to improved monitoring and control of expenditures.

(c) **Cost-sharing arrangements**

14. The principle of cost sharing of services between the Organizations will be maintained under the new arrangements. However, the methodologies for the cost sharing of translation services will be modified, and in future UNIDO will be charged for documents translated on an agreed standard rate per page. The standard rate is based on the estimated UNOV staff costs (including temporary assistance) and the capacity of the service. UNIDO is subject to a guaranteed minimum payment equivalent to 32 per cent of the capacity in terms of pages translated by UNOV staff budgeted under established posts. This floor rate is lower than the current annual volume of documentation by UNIDO and is covered by UNIDO budgetary provisions for the services to be provided.

15. Interpretation services will be charged at a standard rate per work day, together with actual travel costs where applicable. Other services for which standard costs are not available will generally be cost shared on the basis of the workload of such services attributable to each Organization. (For example editorial control will be shared on the basis of the number of words edited). Costs of equipment, supplies and materials will continue to be shared between the parties.

(d) **Agreement**

16. The draft agreement covering the financial and administrative arrangements governing the new service, which was drawn up following discussions between UNOV and UNIDO, also proposes the establishment of a joint working group with responsibility for reviewing the operation of the agreement. The final draft of the agreement is under preparation and is expected to be signed by UNOV and UNIDO in the near future.

III. UNIDO BUDGETARY ADJUSTMENTS, 1994-1995

17. The approved UNIDO programme and budgets for 1994-1995 (GC.5/14/Rev.1) included provision for the cost of language and documentation services under Major Programme 100 (Policy-making Organs) and Programme 1120 (Languages and Documentation), as shown in annex I to the present document. The gross financial estimates for these services were mainly related to Professional and General Service posts in Languages and Documentation Services. The gross costs of Language and Documentation Services was offset to some extent by budgetary provision for income from UNOV for cost-shared services. Also subject to cost sharing were provisions for established posts and temporary assistance, which were also included in the United Nations budgets.

18. The transfer of the administration of conference services to UNOV effective 1 April 1995 has resulted in the deletion of the budgetary provisions for established posts and other items, such as temporary assistance for meetings and contractual translation from the UNIDO budget. Details of the changes in the number of established posts are shown in annex II. The provisions for income to the UNIDO budget have also been reduced to take account of that period of the biennium (1 April to 31 December 1995) where UNIDO will be a purchaser of services rather than the supplier.

19. Subsequent to 1 April 1995, the relevant budgetary requirements will consist of financial provisions covering the UNIDO share of the costs of specific individual conference services provided by UNOV to UNIDO. The specific services are programme direction and management, translation, reference and terminology, editorial control, documents control, correspondence, printing and copy preparation, reproduction, documents distribution, meetings planning and servicing, and interpretation. Budgetary allocations for these services are therefore redeployed to the object of expenditure "contributions to joint activities" in Major Programme 100 (Policy-making Organs) and Programme 1120 (Languages and Documentation).

20. The revised budgetary provisions are based on the same assumptions as the budgetary provisions approved by the General Conference (GC.5/14/Rev.1) in terms of workload and cost-sharing ratios. Therefore, the 1994-1995 resource allocations for conference services as shown in annex I remain unchanged in total. However, the estimates for the Major Programmes and Programmes affected take account of their specific documentation requirements for the period 1 April to 31 December 1995. The revised estimates also require a transfer of resources mainly from staff costs to provide a budgetary provision for contributions to the joint services administered by UNOV.

21. The revised budgetary provisions for the UNIDO Major Programmes and major objects of expenditure are shown in annex III. The adjustments to the net budgetary requirements for the 1994-1995 biennium initially presented in paragraph (d) of GC.5/Dec.18 are shown in annex IV to the present document.

IV. FINANCIAL IMPLEMENTATION, 1994-1995

22. Savings are expected to arise in the 1994-1995 biennium as a result of: (a) anticipated reduced documentation requirements for UNIDO in the current biennium as compared to the budgetary provision; (b) lower-than-budgeted standard salary costs; and (c) efficiency savings anticipated under the new arrangements with the United Nations.

23. Based on the estimates made by UNOV and UNIDO for inclusion in the report of the Secretary-General to the United Nations General Assembly in November 1994 (document A/C.5/49/24), UNIDO budgetary requirements for 1995 would decrease by approximately $1.8 million. The total estimated 1994-1995 savings against the budgetary estimates resulting from reduced workload and other factors are expected to exceed $3 million for the entire biennium, which would be reported as unspent appropriations.

24. However, in view of the fact that the biennium has seven months to run, it is not possible to quantify the exact level of budgetary savings that will be achieved. Based on previous experience, an increasing workload during the remainder of the biennium could be anticipated, which would increase the rate of financial implementation of budgetary allocations.

V. ACTION REQUIRED OF THE BOARD

25. The Board may wish to take note of the information provided in the present report.

Annex I

BUDGETARY IMPACT OF LANGUAGE AND DOCUMENTATION SERVICES TRANSFER

(In thousands of US dollars at US$1=AS12.90 at 1994-1995 costs)

Major object of expenditure	Approved budget, 1994-1995 (GC.5/14/Rev.1)					Redeployments in 1995					Adjusted budget, 1994-1995				
	GROSS			INCOME	NET	GROSS			INCOME	NET	GROSS			INCOME	NET
	Programme		TOTAL	Programme	TOTAL	Programme		TOTAL	Programme	TOTAL	Programme		TOTAL	Programme	TOTAL
	100 a/	1120 b/	(1+2)	1120 b/	(3-4)	100 a/	1120 b/	(6+7)	1120 b/	(8-9)	100 a/	1120 b/	(11+12)	1120 b/	(13-14)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
100 Staff costs	393.0	18,965.1	19,358.1	2,644.1	16,714.0	(120.9)	(7,280.5)	(7,401.4)	(983.1)	(6,418.3)	272.1	11,684.6	11,956.7	1,661.0	10,295.7
200 Official travel		35.3	35.3	21.8	13.5		(12.9)	(12.9)	(8.3)	(4.6)	0.0	22.4	22.4	13.5	8.9
300 Contractual services	323.7	233.9	557.6		557.6		(89.0)	(89.0)		(89.0)	323.7	144.9	468.6	0.0	468.6
400 General operating expenses	57.8	539.2	597.0		597.0			0.0		0.0	57.8	539.2	597.0	0.0	597.0
900 Other expenses	1,457.2	1,030.4	2,487.6	3.3	2,484.3	3,025.5	3,485.1	6,510.6	(1.3)	6,511.9	4,482.7	4,515.5	8,998.2	2.0	8,996.2
Total	2,231.7	20,803.9	23,035.6	2,669.2	20,366.4	2,904.6	(3,897.3)	(992.7)	(992.7)	0.0	5,136.3	16,906.6	22,042.9	1,676.5	20,366.4

a/ Major Programme 100 - Policy-making Organs.

b/ Programme 1120 - Languages and Documentation.

Annex II

POSTS ESTABLISHED UNDER THE REGULAR BUDGET IN 1994-1995 a/

	Approved posts 1994-1995 (GC.5/14/Rev.1)	Transfer of posts to UNOV in 1995	Adjusted posts 1994-1995
	RB	RB	RB
Professional and above			
Director-General	1		1
Director	38	-1	37
P-5	105	-7	98
P-4	130	-17	113
P-3	85	-20	65
P-2/1	39	-4	35
Subtotal	**398**	**-49**	**349**
General Service			
Principal level	23	-5	18
Other level	563	-74	489
Subtotal	**586**	**-79**	**507**
Language teachers	6		6
Total	**990**	**-128**	**862**

a/ Impact of transfer of language and documentation services from UNIDO to UNOV with effect from 1 April 1995.

Annex III

REVISED APPROPRIATIONS FOR 1994-1995

Table 1. By Major Programme a/

(In thousands of US dollars at US$ 1 = AS 12.90)

Major Programme	Approved budget 1994-1995 (GC.5/14/Rev. 1) (1)			Redeployments (PBC.10/10 and PBC.11/7) (2)			Additional redeployments b/ (3)			Adjusted budget 1994-1995 (4) = (1)+(2)+(3)		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
100 - Policy-making Organs	2,231.7		2,231.7			0.0	2,904.6		2,904.6	5,136.3	0.0	5,136.3
200 - General Management	10,944.0		10,944.0	322.6		322.6			0.0	11,266.6	0.0	11,266.6
300 - Country Strategy and Programme Development	19,800.1		19,800.1	(940.1)		(940.1)			0.0	18,860.0	0.0	18,860.0
400 - Mobilization and Management of Financial Resources	7,253.4		7,253.4	863.2		0.0 863.2			0.0	8,116.6	0.0	8,116.6
500 - Information and Research	14,675.5		14,675.5	359.6		359.6			0.0	15,035.1	0.0	15,035.1
600 - Human Resource, Enterprise and Private Sector Development	11,545.7		11,545.7	(29.1)		(29.1)			0.0	11,516.6	0.0	11,516.6
700 - Industrial Sectors and Environment	21,804.0		21,804.0	(107.7)		(107.7)			0.0	21,696.3	0.0	21,696.3
800 - Investment and Technology Promotion	17,590.2		17,590.2	(731.3)		(731.3)			0.0	16,858.9	0.0	16,858.9
900 - Common Programmes	17,178.0		17,178.0	1,447.8		1,447.8			0.0	18,625.8	0.0	18,625.8
1000 - Operational Support Services	6,461.4	249.0	6,212.4	(1,124.6)		(1,124.6)				5,336.8	249.0	5,087.8
1100 - Joint and Common Services	64,584.4	28,743.6	35,840.8			0.0	(3,897.3)	(992.7)	(2,904.6)	60,687.1	27,750.9	32,936.2
1200 - Administration	35,251.8	2,422.0	32,829.8	(60.4)		(60.4)			0.0	35,191.4	2,422.0	32,769.4
TOTAL	229,320.2	31,414.6	197,905.6	0.0	0.0	0.0	(992.7)	(992.7)	(0.0)	228,327.5	30,421.9	197,905.6

a/ Excluding miscellaneous income.

b/ Impact of transfer of language and documentation services from UNIDO to UNOV with effect from 1 April 1995.

Table 2. By major object of expenditure a/

(In thousands of US dollars at US$ 1 = AS 12.90)

Major object of expenditure	Approved budget 1994-1995 (GC.5/14/Rev. 1) (1)			Redeployments b/ 1995 (2)			Adjusted budget 1994-1995 (3) = (1) + (2)		
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net
100 Staff costs	161,415.6	15,077.2	146,338.4	(7,401.4)	(983.1)	(6,418.3)	154,014.2	14,094.1	139,920.1
200 Official travel / meetings	4,022.7	27.0	3,995.7	(12.9)	(8.3)	(4.6)	4,009.8	18.7	3,991.1
300 Contractual services	794.6		794.6	(89.0)		(89.0)	705.6	0.0	705.6
400 General operating expenses	29,078.9	15,144.7	13,934.2			0.0	29,078.9	15,144.7	13,934.2
500 Supplies and materials	1,092.6	205.5	887.1			0.0	1,092.6	205.5	887.1
600 Acquisition of furniture and equipment	1,352.2	556.7	795.5			0.0	1,352.2	556.7	795.5
700 EDP non-staff costs	7,174.3	400.2	6,774.1			0.0	7,174.3	400.2	6,774.1
800 Technical cooperation	11,778.6		11,778.6			0.0	11,778.6	0.0	11,778.6
900 Other expenses	12,610.7	3.3	12,607.4	6,510.6	(1.3)	6,511.9	19,121.3	2.0	19,119.3
TOTAL	229,320.2	31,414.6	197,905.6	(992.7)	(992.7)	0.0	228,327.5	30,421.9	197,905.6

a/ Excluding miscellaneous income.

b/ Impact of transfer of language and documentation services from UNIDO to UNOV with effect from 1 April 1995.

Annex IV

REVISIONS TO DECISION GC.5/DEC.18

Table 1. Revision to table in paragraph (d) of GC.5/Dec.18

(In US dollars)

	Paragraph (d), GC.5/Dec.18			Resource adjustments a/			Revised budget		
	Appropriation	Estimated income	Net requirements	Appropriation	Estimated income	Net requirements	Appropriation	Estimated income	Net requirements
Policy-making Organs	2,231,700		2,231,700	2,904,600	0	2,904,600	5,136,300		5,136,300
General Management	10,944,000		10,944,000	322,600	0	322,600	11,266,600		11,266,600
Country Strategy and				0	0	0			0
Programme Development	19,800,100		19,800,100	(940,100)	0	(940,100)	18,860,000		18,860,000
Mobilization and Management				0	0	0			0
of Financial Resources	7,253,400		7,253,400	863,200	0	863,200	8,116,600		8,116,600
Information and Research	14,675,500		14,675,500	359,600	0	359,600	15,035,100		15,035,100
Human Resource, Enterprise				0	0	0			0
and Private Sector Development	11,545,700		11,545,700	(29,100)	0	(29,100)	11,516,600		11,516,600
Industrial Sectors and Environment	21,804,000		21,804,000	(107,700)	0	(107,700)	21,696,300		21,696,300
Investment and Technology Promotion	17,590,200		17,590,200	(731,300)	0	(731,300)	16,858,900		16,858,900
Common Programmes	17,178,000		17,178,000	1,447,800	0	1,447,800	18,625,800		18,625,800
Operational Support Services	6,461,400	249,000	6,212,400	(1,124,600)	0	(1,124,600)	5,336,800	249,000	5,087,800
Joint and Common Services	64,584,400	28,743,600	35,840,800	(3,897,300)	(992,700)	(2,904,600)	60,687,100	27,750,900	32,936,200
Administration	35,251,800	2,422,000	32,829,800	(60,400)	0	(60,400)	35,191,400	2,422,000	32,769,400
Miscellaneous Income		1,595,300	(1,595,300)	0				1,595,300	(1,595,300)
TOTAL	229,320,200	33,009,900	196,310,300	(992,700)	(992,700)	0	228,327,500	32,017,200	196,310,300

a/ See annex III, table 1.

Note: The amounts presented in the table are to be adjusted in accordance with the adjustment formula (see table 2) to take account of exchange rate variations during the biennium.

Table 2. Adjustment formula in US dollars

	GC.5/Dec.18, paragraph (d)		Resource adjustments		Revised adjustment formula	
	US$	AS	US$	AS	US$	AS
Appropriations						
Policy-making Organs	197,900 + (	26,236,000 /R)	276,600	33,901,300	474,500 + (	60,137,300 /R)
General Management	1,195,300 + (	125,757,800 /R)			1,195,300 + (	125,757,800 /R)
Country Strategy and Programme Development	2,542,100 + (	222,628,200 /R)	(164,800)	(19,529,400)	0	0
					2,377,300 + (	203,098,800 /R)
					0	0
Mobilization and Management of Financial Resources	832,100 + (	82,834,300 /R)	95,500	9,903,400	927,600 + (	92,737,700 /R)
Information and Research	1,868,300 + (	165,212,700 /R)	69,200	9,627,400	1,937,500 + (	174,840,100 /R)
Human Resource, Enterprise and Private Sector Development	1,302,100 + (	132,142,600 /R)			0	0
					1,302,100 + (	132,142,600 /R)
Industrial Sectors and Environment	2,376,000 + (	250,621,400 /R)			2,376,000 + (	250,621,400 /R)
Investment and Technology Promotion	2,265,600 + (	197,686,800 /R)			2,265,600 + (	197,686,800 /R)
Common Programmes	3,883,200 + (	171,503,500 /R)	192,600	16,192,100	4,075,800 + (	187,695,600 /R)
Operational Support Services	666,900 + (	74,749,000 /R)	(192,600)	(16,192,100)	474,300 + (	58,556,900 /R)
Joint and Common Services	5,006,700 + (	768,552,200 /R)	(366,300)	(45,550,100)	4,640,400 + (	723,002,100 /R)
Administration	3,997,200 + (	403,184,300 /R)			3,997,200 + (	403,184,300 /R)
Subtotal - Appropriations	26,133,400 + (	2,621,108,800 /R)	(89,800)	(11,647,400)	26,043,600 + (	2,609,461,400 /R)
					0	0
					0	0
Estimated income						
Operational Support Services	23,800 + (	2,905,000 /R)			23,800 + (	2,905,000 /R)
Joint and Common Services	1,663,200 + (	349,337,200 /R)	(89,800)	(11,647,400)	1,573,400 + (	337,689,800 /R)
Administration	172,700 + (	29,015,700 /R)			172,700 + (	29,015,700 /R)
Miscellaneous	716,500 + (	11,335,910 /R)			716,500 + (	11,335,910 /R)
Subtotal - Estimated income	2,576,200 + (	392,593,810 /R)	(89,800)	(11,647,400)	2,486,400 + (	380,946,410 /R)
					0	
TOTAL NET REQUIREMENTS	23,557,200 + (	2,228,514,990 /R)	0	0	23,557,200 + (	2,228,514,990 /R)

Note 1: The net requirements shown above assume a ratio of 12 per cent in US dollars and 88 per cent in Austrian schillings at an exchange rate of US$ 1 = AS 12.90.

Note 2: R represents the average United Nations exchange rate for Austrian schilling to US dollar which will be experienced during 1994-1995.

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THE REGIONAL DIMENSION: SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA

UNIDO support for the Second Industrial Development Decade for Africa

Report by the Director-General

Summary

Reports on the implementation of the programme for the Second Industrial Development Decade for Africa (IDDA) and provides information on technical cooperation projects and technical support services to African countries.

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 3	2
Chapter			
I.	INITIATIVES FOR THE IMPLEMENTATION OF THE SECOND IDDA	4 - 16	2
II.	UNIDO ACTIVITIES FOR THE INDUSTRIALIZATION OF AFRICA	17 - 33	5
III.	ACTION REQUIRED OF THE BOARD	34	8

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Introduction

1. The fundamental aims of the programme for the Second Industrial Development Decade for Africa (IDDA) are to assist the countries of the region in redressing poverty and dependence and achieving self-reliance and self-sustainment. The programme is directed towards industrialization as a means of producing the goods and services that Africa needs, based on domestic strengths and factor inputs. With these goals, industrialization is to recognize the links with agriculture and, equally, to take environmental considerations into account. The support of the international community is anticipated and welcome, but the principal responsibility is with the African Governments and peoples. The fullest participation of all - including the private sector, foreign investors and small scale industry - is needed. Capacity-building is urgent, and a concentration on investment performance is necessary, as is the promotion of South-South cooperation, especially in technology. The programme recognizes the needs for wider markets through regional and subregional cooperation and international integration. Facing the new challenge of globalization and corresponding capacity building is a high priority. In this context, the formulation of industrial visions and strategies and of an enabling environment is needed to promote industrial investment and employment in the light of globalization, increased market orientation, private sector emphasis, trend, structural adjustment programmes and the GATT Uruguay Round Agreements.

2. The present document reports on progress made in the implementation of General Conference resolution GC.5/Res.12 and Industrial Development Board decision IDB.12/Dec.12, which requested action in the following areas:

(a) Providing assistance to African countries in formulating industrial sector policies with a view to creating an enabling environment for increased industrial investment, and in formulating policies, procedures and guidelines for the enhancement of initiatives for private sector development;

(b) In cooperation with the Economic Commission for Africa (ECA), giving priority to development of the African private sector and facilitating its involvement in the implementation of the programme for the Second IDDA;

(c) Giving priority to mobilization of external financial resources for the execution of programmes for the Second IDDA in complementarity to urgent efforts to mobilize local resources and investment;

(d) Intensifying cooperation between UNIDO, ECA and the Organization of African Unity (OAU) and providing African intergovernmental organizations assistance in strengthening the role of the industrial sector in the implementation of the subregional component of IDDA within the framework of the African Economic Community.

3. Both the General Conference resolution and the Board decision requested that adequate financial and human resources for the implementation of the programme be ensured. In response, the IDDA Co-ordinator function has been integrated into the Africa Programme in order to draw more effectively on experience at the country level and to ensure that the IDDA programme is at the centre of project development for Africa.

I. INITIATIVES FOR THE IMPLEMENTATION OF THE SECOND IDDA

A. The ten-point programme

4. The UNIDO ten-point programme for Africa was endorsed by the Conference of African Ministers of Industry (CAMI) in a resolution on the African Common Position adopted at its eleventh meeting and presented to the General Conference of UNIDO at its fifth session (GC.5/18, paras. 88-100). The main features are as follows:

1. Development of appropriate strategies and policies for industrialization;

2. Development of increased regional industrial cooperation;

3. Expanded programme for entrepreneurial training and development;

4. Comprehensive programme for development of small and medium industries;

5. Development of sustainable institutional capability for industrial services and support;

6. New technological applications in industrial sectors and branches;

7. Interrelationship between environment, ecological and energy needs and industrial development;

8. Advanced management training for local entrepreneurs;

9. Expansion of investment promotion activities;

10. Increased dissemination of industrial information.

5. At its twelfth meeting, held at Gaborone, Botswana, 6 to 8 June 1995, the CAMI provided further guidance to UNIDO activities in support of the implementation of the Second IDDA. In particular, the theme of the CAMI meeting, "Mobilization of resources", was reflected in the resolution 2 (XII) on this topic. This called on UNIDO, *inter alia*, to continue to provide technical and financial assistance to promote the private sector and private investment, and to continue providing support to research/development and training activities in Africa through subregional and regional institutions such as the African Regional Centre for Engineering Design and Manufacturing, the African Regional Centre for Technology and the African Institute for Economic Development and Planning. High priority for technical cooperation in the development of human resources and entrepreneurial capabilities was also called for. Follow-up actions for the mobilization of resources at national, subregional and regional levels were requested of ECA, UNIDO and OAU.

B. The current support programme

6. While the ten-point programme is being pursued and will be carried out in a longer time perspective, it was seen as essential for UNIDO in the current biennium, and in the prevailing situation of severe financial and human resource constraints, to focus its activities on selected issues.

7. Recognizing the mounting socio-economic problems of the region in terms of population growth pressure, widespread poverty and lack of capacities to meet the external challenges of external debt and increasing international competition, the UNIDO programme in support of the Second IDDA is primarily directed to the following areas of concern. First, the build-up of viable production capacities is being supported through assistance to the private sector in the form of entrepreneurship development, training, and small-scale industry development in key industrial subsectors in particular in agro-related industries. A second area of particular concern is the competitiveness of African industry. Analyses of the implications of the GATT Uruguay Round Agreements for the development prospects of African industries, industrial rehabilitation programmes and support to technology upgrading, including for environment protection, were major features of assistance in this respect. Thirdly, issues relating to regional and subregional cooperation were addressed. In all these endeavours of UNIDO, due attention was given to ensuring cooperation and complementarity with other organizations of the United Nations system and development of finance institutions. A series of industrial sector review missions and the preparation of UNIDO support strategies were to contribute to creating a framework for effectively designing the programmes.

C. Utilization of funds allocated to the Second IDDA under the regular budget

Technical cooperation

8. As part of the preparations of the IDDA technical cooperation programme, a new pre-screening process for project concepts was established. This process assesses the potential of projects for generating additional technical cooperation or investment projects, the extent to which the projects address the above-mentioned ten points, and the degree to which the five main development objectives of UNIDO (GC.5/23) are met.

9. Another important consideration is the need to achieve optimal impact with the limited funds available for programming by (a) focusing on multi-country and regional projects, which would allow for economies of scale and of scope, and (b) by applying, where possible, the "seed money" concept, which would encourage and facilitate the mobilization of additional resources for technical cooperation projects and the promotion of investment projects.

10. The starting point for the design of the programme has been the constraints encountered at the industrial enterprise level. These include the overall policy environment in which an enterprise operates. As the enterprise constitutes the basic unit of the manufacturing sector, it is at that level that the effects of decisions and measures taken at other levels - institutional, national policy and international - have the greatest impact, thereby determining the success of manufacturing activity as a whole.

11. The technical cooperation programme includes an analysis of industry-related services, the development of the infrastructure for quality in industry and technology support, including training in technology management. Further work on the Industrial and Technological Information Bank in Africa, and assistance to regional and subregional institutions (African Regional Centre for Engineering Design and Manufacturing and the Leather and Leather Products Institute of the Common Market for Eastern and Southern Africa (COMESA)) is also under way. Agro-related activities include projects on baby food production technology and on palm oil production technology and agro-food packaging training. The energy sector is being addressed through a project on biomass as well as an information network and environmental issues through the setting up of waste

minimization demonstration centres. Apart from a large programme for the development of small and medium enterprises (SMEs), the issues of application of computers for SMEs and women's entrepreneurship development are also being addressed.

Supplementary activities

12. The UNIDO technical cooperation activities and investment programmes are based on and complemented by various other upstream and promotional activities. Agro-industry-related activities include the promotion of international cooperation in the dairy industry and the development of low-cost nutritional foods. Moreover, a manual will be prepared on industrial rehabilitation in that sector and the requirements for improved competitiveness will be assessed in the light of the GATT Uruguay Round Agreements. In linking IDDA with the second Transport and Communications Decade for Africa (UNTACDA II), work will be completed in 1995 on the development of rural telecommunications, and the status and development possibilities of the automotive industry in Africa will be analysed, especially in terms of the production of spare parts. Investment forums are being prepared for Ghana, Morocco and the COMESA States, and an investment centre round table is planned in connection with an ECA conference on investment in Africa to be held in Accra, Ghana, in November 1995. At the policy level, support has been provided in the assessment of the CFA franc devaluation in Western Africa and in Central Africa and the organization of the twelfth meeting of the Conference of African Ministers of Industry and associated Private Sector Forum. Supplementary activities have also included support for the industrial sector programme review missions described below.

Short-term technical advisory services

13. Short-term technical advisory services (STAS) are part of the IDDA supplementary activities. They represent a flexible instrument by which UNIDO can respond rapidly to urgent requests for assistance. Under STAS, 49 experts or consultants were deployed in 28 countries in 1994, covering four broad areas of support:

(a) Revising and updating national and subregional programmes for the Second IDDA and preparing implementation plans, including provision of advisory services on industrial policy;

(b) Preparing individual integrated packages of investment and technical cooperation projects for presentation to investors and donors;

(c) Rendering of advisory services in relation to investments or negotiations;

(d) Rendering of advisory services in relation to technology development and acquisition.

14. By 30 April 1995, the total STAS expenditures for the biennium were $492,790, broken down for the above-mentioned areas as follows: (a) 31 per cent; (b) 41 per cent; (c) 12 per cent; (d) 16 per cent; and others 7 per cent. The experts worked closely with representatives of Governments and the private sector as well as of donor institutions. Examples of some of the activities are given below:

(a) Human resource development: A training programme was formulated for Namibia on the methodology for assessing, programming and managing integrated production/consumption systems (MEPs) in the fisheries sector. The skills of the staff of the Trade and Investment Promotion Service in Guinea-Bissau were appraised and upgraded, and future on-the-job training needs identified to enhance the promotion of small- and medium-sized enterprises in the private sector. Training was provided at the Eastern and Southern Africa Management Institute in the application of the UNIDO Computer Model for Feasibility Analysis and Reporting (COMFAR).

(b) Investment: An assessment was undertaken of the potential for industrial utilization of medicinal and aromatic plants indigenous to Swaziland. A feasibility study was completed on the establishment of an industrial subcontracting and partnership exchange in Mauritius. Assistance was given to Mali for a feasibility study on the production of paper using a local raw material. An examination was undertaken in Kenya of the potential for the development of an indigenous electronics industry. An investigation on the viability of a soft drinks bottling industry, aided Gambia in an investment decision on the subject.

(c) Private sector development: A training programme for women entrepreneurs in the food-processing industry was initiated in Kenya. Investment programmes were set up in Côte d'Ivoire and Ghana that involve identification, formulation, screening and promotion of investment projects as well as the holding of investment forums. Major work was done in Angola and Niger for their conversion to market economies through enterprise restructuring and privatization programmes.

(d) Management of industrial development; technology development and acquisition: In Angola, measures were suggested to reorganize the industrial

directorate and upgrade skills of its staff through training. A technical cooperation programme was also formulated. In Côte d'Ivoire a restructuring plan was proposed, aimed at improving the capacity of the Ministry of Industry in the management of industrial development. A project dealing with industrial repair and maintenance in Burkina Faso was reformulated, approved and initiated. Market surveys on the feasibility of developing food-processing and other agro-industry products were undertaken in Guinea. Support was provided to the Ministry of Industry and Energy in Mozambique. A technical cooperation programme was prepared for small- and medium-scale artisanal mining in Botswana. Advice was given to the United Republic of Tanzania in the production and marketing of pharmaceuticals.

D. Industrial sector programme review missions

15. UNIDO undertook in the closing months of 1994 a series of industrial sector programme review missions to the following 14 African countries: Benin, Botswana, Burkina Faso, Côte d'Ivoire, Ghana, Guinea, Kenya, Mali, Namibia, Nigeria, Togo, Uganda, United Republic of Tanzania and Zimbabwe. Other countries are scheduled for similar coverage in 1995. The objectives of the missions were to assess the status of industry and the priorities of the countries concerned to determine the services UNIDO could provide in relation to the ten-point programme and the development objectives of the Organization. The missions included consultations with the various national actors involved in industrial development such as Government, the private sector and the business community as well as the donor community. The UNIDO missions also ascertained the need for updating and reorienting the national programmes in the light of new national and international developments.

16. The missions were led by senior UNIDO staff and included ECA representatives. For each of the countries visited, a UNIDO support strategy is under preparation. Detailed programmes and projects are being elaborated for promotion among various multilateral and bilateral funding agencies and financial institutions. The main focus will be on the strategic management of industrial development, human resource development, quality control and standardization, environment, private sector development with emphasis on small and medium industries and the implications of the GATT Uruguay Round Agreements. A coordinating mechanism has been established in UNIDO to review the various recommendations of the programme review missions and the necessary follow-up actions. Preparations are also under way for assistance in updating the IDDA national programmes for a number of the countries concerned.

II. UNIDO ACTIVITIES FOR THE INDUSTRIALIZATION OF AFRICA

17. Since the beginning of the biennium 1994-1995, a number of activities, including technical cooperation projects and technical support services to African countries, have been carried out in a number of areas by UNIDO under the Africa Programme and under the Second IDDA. Those activities are briefly described below under headings that are broadly based on the actions requested in resolution GC.5/Res.12 and decision IDB.12/Dec.12 (see para. 2 above).

A. Industrial policies

18. In a number of countries assistance was provided in the formulation of industrial sector policies, including policies leading to privatization. For example, in the United Republic of Tanzania advisory services were rendered on a programme of privatization and rehabilitation; in Mozambique high-level advisory services were directed to the promotion of an industrial development programme; in Benin support was provided for the development of the private sector; and in Lesotho a review was undertaken of the industrial sector. In Kenya, an assessment of the international competitiveness of local industries was carried out for the Ministry of Industry. A workshop on industrial restructuring in the framework of policy reforms was held in Algeria, while in Guinea-Bissau a workshop on privatization policies and strategies was held for French-speaking least developed countries. New systems for rural industry promotion were developed in Guinea, Guinea-Bissau, Mozambique and Zambia and in Togo, where a strategy for the integration of women in development was under formulation.

19. With the participation of the Director-General, a national seminar was held in Kenya on the country's industrial transformation towards a "newly industrialized economy" status by the year 2010. The experience of UNIDO in assisting in the preparation of an industrial vision of future possibilities and the necessary policy orientations will be applied in other countries to meet increasing requests for such assistance, especially in the light of recent significant changes in the world economy.

20. In a further initiative, a training course on industrial policies is being organized in cooperation with and contribution by the Government of the Republic of Korea. Drawing also on IDDA resources, this will allow policy makers in African countries to study the experience of the Republic of Korea in the application of strategies for accelerated industrialization.

21. Advisory services were provided in Benin, Djibouti and Togo for defining policy guidelines and assistance in terms of pre-feasibility studies and support of management, operations and the legal and organizational frameworks towards creating an enabling environment for industrial development.

22. In the field of rehabilitation of industrial enterprises, assistance was provided, for example, in the modernization of industry in Tunisia and to the restructuring of industrial enterprises in Togo. An established enterprise or institution must continuously ensure competitiveness and viability and, in that respect, UNIDO has provided a variety of support services. Through direct operational assistance, on-the-job and formal training programmes and maintenance management assistance, enterprises in the United Republic of Tanzania received support in improving management, productivity and competitiveness. In Ethiopia, assistance was given in the improvement of plant level performance and quality control as well as cost accounting and management training, while enterprises in Mali received assistance in maintenance management. At the institutional level, support was provided to Kenyan industry associations and enterprises in capacity-building, quality improvement, productivity increase and ISO certification; and to national institutions in Algeria, Nigeria, Seychelles, Uganda and Zimbabwe in respect of quality, standardization and metrology for certification making, calibrations and testing.

B. Private sector development and promotion

23. Particular attention has been given to assisting the creation of an enabling environment for the development of private industry, in particular small- and medium-scale enterprises (SMEs) in Africa. Projects in Burkina Faso, Guinea, Niger and Zimbabwe aim at focusing on small and medium enterprise development within overall industrial development policies. A strategy to enhance the development of SMEs and the promotion of the private sector was developed in Equatorial Guinea, and support was given to Mali in the formulation of policies encouraging private sector enterprises. Likewise, in Cameroon, a programme for the promotion of SMEs was undertaken. Integrated national SME programmes were developed in Madagascar and Nigeria to enhance dynamism and efficiency of SMEs in key sectors of the economy. In Guinea, Guinea-Bissau, Uganda and Zambia, integrated assistance was directed to strengthening national capabilities for the creation and development of SMEs and this led to improved services by SME support agencies, training institutions and local consulting firms. Support was given to policy formulation for the development of small-scale and micro enterprises in Mozambique, Togo and Zambia. A "seed" programme in Western Africa, designed for the promotion of traditional textiles progressed towards its objective of drawing up a viable regional level long-range plan of action. To this end, a "tissuethèque" will be established in Mali to reactivate the cultural and traditional textile industry in Western African least developed countries, thus opening opportunities for micro enterprises in that field.

24. Several projects aimed at entrepreneurship development. A training programme for women entrepreneurs in food processing was held in Gambia and advisory assistance was provided to entrepreneurs in Ghana, prior to an Investors Forum held in that country. Assistance was also provided in the United Republic of Tanzania to enhance the technical and entrepreneurial skills of businesswomen in the production of textiles and related products. Other projects for the benefit of women entrepreneurs included preparatory assistance provided to Ghana with regard to food-processing and textile-related products, and to Guinea in support of facilitating access to credit facilities and investment expertise for women entrepreneurs.

25. As a follow-up to a recommendation of the Joint Committee of the Secretariats of OAU, ECA and UNIDO on IDDA, which was endorsed by the executive heads of the three organizations, a Private Sector Forum was held at Gaborone, Botswana, from 3 to 5 June 1995, within the framework of the twelfth meeting of CAMI. The Forum was organized by UNIDO, UNDP, the African Business Round Table (ABR) and the Corporate Council for Africa, in cooperation with the Government of Botswana as well as with ECA and OAU. Substantive discussions at the Forum focused on the following four themes:

(a) Creating an enabling environment for private sector development and promotion;

(b) Implications of the GATT Uruguay Round Agreements and technological advances on the performance of the African private sector;

(c) Mobilization of financial resources for private sector development in Africa;

(d) Regional/subregional cooperation and the role of the private sector.

26. Further cooperation with ECA and OAU is envisaged in support of a meeting of the private sector in Eastern and Southern Africa to be organized with COMESA and the Southern African Development Community. It is intended that the meeting will review and make proposals for updating the IDDA subregional

programme, and thus contribute to greater involvement of the private sector in IDDA at national and subregional levels.

C. Mobilization of financial resources, including industrial investment promotion

27. In promoting the mobilization of financial resources for industrial development and increased industrial investment, UNIDO provided assistance to Cameroon, Guinea, Madagascar and Mali. In Sudan, the investment promotion centre was strengthened and in Zambia, assistance was provided in establishing such a centre. In the United Republic of Tanzania, where an investment promotion centre is already operating, UNIDO provided expert advice, training of staff and assistance in identifying investment opportunities. Feasibility studies were carried out in Nigeria and Zimbabwe on the extension of a domestic cement company and for the establishment of a citrus fruit- and tomato-processing plant, respectively, and in Gambia for a dairy-products processing plant. In the United Republic of Tanzania, agro-industrial investment opportunities were identified. In January 1994, an investment forum for Eastern and Southern African States was held at Lusaka, Zambia, with 190 participants from 23 mainly African countries. In April of that year, an industrial forum held in Madagascar attracted attention also from other developing regions. Training plays a crucial role in investment promotion: in Nigeria, a workshop on the appraisal of industrial investment projects and the use of COMFAR was organized for professional staff of the investment banks of that country. Training in UNIDO-developed investment methodologies and preparation of pre-feasibility studies was also carried out for professionals in Benin, Burkina Faso, Eritrea, Ethiopia, Madagascar, Uganda and Zambia. A major diagnostic study was initiated of local manufacturing of telecommunications equipment in Africa which will, *inter alia*, provide the basis for a compendium of projects to be promoted.

D. Institutional support and human resource development

28. UNIDO provided institutional support for a spare parts and hand tools factory in Ethiopia. In Mauritius, Namibia and Zambia, assistance was given in setting up national industrial statistics programmes. In Egypt, support and advice was provided to a research and development centre for synthetic fibres. In Swaziland, advice was provided for establishing an export processing zone and in Namibia an information system was developed in the Ministry of Trade and Industry. In Mauritius, a productivity centre for the garments industry was assisted and support was also provided to three production training centres in footwear and technology and development in Kenya, Sudan and Zimbabwe. In Cameroon, an expert group meeting led to the adoption of a manual on cost accounting and in Zambia, a seminar on the integration of women in commerce and industry was supported and a national seminar was conducted addressing the issue of management development; a similar national seminar was held in Ethiopia.

29. In respect of human resource development, assistance was given in building up capabilities of local consultancy firms and providing services to SMEs in Zaire and in Ethiopia and a training workshop was held to familiarize industrial bureau officers with local industrial promotion. Upgrading capabilities of nationals at all levels (management, artisans, entrepreneurs) was carried out by conducting workshops, fellowship programmes, study tours and training for Burundi, Cape Verde, Madagascar, Niger, Uganda and the United Republic of Tanzania. In the latter country, a training programme was held for women entrepreneurs in the food-processing industry. Assessments of needs for the development of technical and managerial skills were carried out in Namibia and Swaziland. More than 40 women entrepreneurs and trainers from 15 African and Asian countries received training in India on entrepreneurship development, industrial project identification and investment.

E. Environment and sustainable industrial development

30. Preparatory assistance was given to Mozambique on the formulation and implementation of an integrated, environmentally sustainable industrial development programme. Work was conducted and advice given on the application of biogas technology to the treatment of industrial wastes in selected African countries, and, in Zimbabwe, an environmental testing centre for the Eastern and Southern African subregion was set up. In Kenya, advice was given to several companies on a chlorofluorocarbon (CFC) phase-out project. In Nigeria, assistance was provided in the preparation of a CFC phase-out strategy and in Algeria, preparatory assistance was given for the elimination of CFCs in the manufacture of refrigeration equipment, while a separate project in that country was in the preparatory stage for the phase-out of CFCs in the manufacture of aerosols and solvents. In Egypt, projects were undertaken with several companies involving the phasing-out of ozone-depleting substances, which was also the subject of a project in Cameroon with a manufacturer of household appliances.

F. Development and transfer of technology

31. The development and transfer of technology is a key issue for African countries. Capacity-building in this area was supported through a workshop held in Uganda

on technology transfer operations and on facilitating the flow of technology. Other workshops were held in Ghana and Kenya on industrial technology development; a further one is planned for Namibia on the subject. Also in Kenya, a workshop was held in April 1995 on technology management for enterprises. The project launched in Ghana to convert local sorghum into malt for the brewing industry also involved an element of technology transfer, as did the project to develop cereal-processing equipment for women in Burkina Faso. In further food-processing related industries, in the United Republic of Tanzania, an assessment was made of a pilot medium-scale multi-purpose flour mill, development of the food industry was supported in Angola and, in Togo, technical cooperation was provided to the fish-processing industry. The upgrading and expansion of pharmaceutical production was assisted in Cape Verde. Activities concerning medicinal and aromatic plants included a fact-finding mission to Swaziland and technical support to small-scale production in Madagascar. Producers of plant-based products from Madagascar, Morocco, Rwanda, United Republic of Tanzania and Zimbabwe participated in a trade fair in Germany with the objective of beginning production for export. In Ethiopia, UNIDO assisted in the installation of marble-processing technology and in Malawi and Mozambique, assistance was provided for setting up new small-scale tanneries. In Nigeria, the dissemination of technologies for design and manufacturing of simple machines (hydraulic presses, mills, etc.) by SMEs was undertaken.

G. Coordination with ECA, OAU and ADB

32. Technical experts of ECA, OAU, the African Development Bank (ADB) and UNIDO met in Vienna from 3 to 4 November 1994 to prepare for a meeting of the chief executives of the four organizations. The experts considered measures to ensure the orientation of the industrialization process in Africa towards meeting optimally the countries' overall socio-economic development concerns. The meeting also considered the implementation of the Treaty on the Establishment of the African Economic Community in respect, in particular, of the protocols on cooperation in the fields of industry, technology and energy; the enhancement of the role of the private sector in the industrialization process in Africa; and new approaches and mechanisms for increasing the flow of direct private investment resources and official development assistance into the industrial sector. The experts formulated a memorandum to the Secretary-General of OAU, the Executive Secretary of ECA, the President of ADB and the Director-General of UNIDO.

33. At the invitation of UNIDO, a complementary meeting of private sector experts on the industrialization of Africa was held at Abidjan, Côte d'Ivoire, from 23 to 27 January 1995. The meeting, hosted by the Government of Côte d'Ivoire, was co-organized with ABR. A wide range of issues were considered, including approaches for directing the industrialization process in Africa to the socio-economic and industrial development objectives of African countries in the context of global economic development; the impact of the devaluation of the CFA franc; the impact of the debt crisis on Africa's industrialization and the role of industry in reaching a durable solution to the debt crisis; financing of the private sector, including new approaches and mechanisms; implementation of the Treaty on the Establishment of the African Economic Community; as well as the substantive preparations and organizational arrangements for the Private Sector Forum (see para. 25 above).

III. ACTION REQUIRED OF THE BOARD

34. The Board may wish to take note of the present report.

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Item 11 of the provisional agenda

OPERATIONAL ACTIVITIES FOR DEVELOPMENT

Note by the Director-General

Summary

Reports on measures taken and to be taken for the implementation of General Assembly resolution 47/199; provides information on the implementation of Industrial Development Board decision IDB.12/Dec.10 on UNIDO activities in support of improving the capacity of developing countries for national execution of projects.

CONTENTS

		Paragraphs	*Page*
Introduction		1	2
Chapter			
I.	COUNTRY STRATEGY NOTE	2	2
II.	PROGRAMME APPROACH	3	2
III.	NATIONAL EXECUTION	4	2
IV.	DECENTRALIZATION AND DELEGATION OF AUTHORITY	5	2
V.	SIMPLIFICATION AND HARMONIZATION OF PROCEDURES FOR PROJECT DESIGN, EVALUATION, MONITORING AND AUDIT	6 - 8	3
VI.	COMMON PREMISES	9	3
VII.	TRAINING (NATIONAL AND INTERNATIONAL)	10	3
VIII.	RESIDENT COORDINATOR SYSTEM	11	4
IX.	IMPROVEMENT OF EFFICIENCY AND EFFECTIVENESS	12 - 13	4
X.	COMPREHENSIVE ANALYSIS OF THE IMPLEMENTATION OF GENERAL ASSEMBLY RESOLUTION 47/199	14	4
XI.	ACTION REQUIRED OF THE BOARD	15	4

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Introduction

1. The present document constitutes a progress report on measures taken with respect to the implementation of General Assembly resolution 47/199, in compliance with paragraph 51 of that resolution. It also updates the information provided to the Board at its twelfth session (IDB.12/9) on the subject, and provides information on UNIDO efforts in support of improving the capacity of developing countries for national execution of their development projects, in accordance with Board decision IDB.12/Dec.10. On its side, the Economic and Social Council (ECOSOC), in resolution 1993/7 urged the heads of specialized agencies to make every effort further to improve the efficiency and effectiveness of their organizations and to inform their governing bodies on measures taken in that regard.

I. COUNTRY STRATEGY NOTE

(General Assembly resolution 47/199, paras. 9-10)

2. In the context of its efforts to ensure a comprehensive response to industrial development constraints and prospects and to identify priority areas and programme thrusts for services to be provided by the Organization, UNIDO has engaged in the formulation of country support strategies. Six country support strategies are in an advanced stage, covering Azerbaijan, Indonesia, Kazakhstan, Kyrgyzstan, Syrian Arab Republic and Uzbekistan. They are expected to be finalized in the near future for submission to and endorsement by the respective Governments. Preparatory work has started in respect of 29 other country support strategies in Africa, Arab countries, Asia and the Pacific, Europe, and Latin America and the Caribbean, and 14 more are planned. These strategies are intended not only as a frame of reference to ensure effective focusing of UNIDO's own services in a particular country, but are also meant to provide industry-related inputs for the formulation of the country strategy note (CSN).

II. PROGRAMME APPROACH

(General Assembly resolution 47/199, paras. 12-14)

3. Based on its recent experience, UNIDO has developed and further refined its methodology for a programme approach. This has resulted in the formulation of integrated programmes covering the whole spectrum of activities linked to specific subjects, drawing on the wide range of capabilities available in the Organization and combining technical cooperation with its regular budget-funded services. Industrial sectors covered so far include the leather sector in Africa (regional), where the programme has been under implementation through two phases since 1989, and the wood sector in two countries in Latin America (Ecuador and Nicaragua), where programmes are essentially ready to start implementation. In addition, following a different approach, three thematic programmes have been formulated in the following areas: (a) women's entrepreneurship for industrial growth; (b) cleaner production centres; and (c) biomass in Africa. The programme approach methodology will also be applied, during the next biennium, to the seven programmatic themes that have been identified and are reflected in document IDB.14/13. UNIDO is also active in promoting the programme approach within the United Nations system and collaborates with other organizations in the development of a joint training programme on the subject.

III. NATIONAL EXECUTION

(General Assembly resolution 47/199, paras. 15-18; Industrial Development Board decision IDB.12/Dec.10, para. (c))

4. UNIDO has continued to participate in system-wide and inter-organizational initiatives to assess the impact of national execution on its activities and to improve related procedures, based on experience. In that vein, it has recently contributed to an evaluation exercise undertaken by the United Nations Development Programme (UNDP). It has also provided comments to the Joint Inspection Unit in respect of a study carried out in 1994. Among the main lessons drawn so far, the following should be highlighted: (a) early involvement of technical and specialized agencies in the design and formulation stage creates a good basis for determining the nature and extent of agency participation in programme and/or project implementation; (b) the role of National Project Directors is essential in ensuring good coordination of inputs; (c) the provision of technical support services by the agencies, such as those funded by the UNDP TSS-2 facility, greatly contributes to efficient and effective delivery; (d) the existence of adequate institutional and managerial capacity in the country is an essential element for success; and (e) clear systems of accountability and specific guidelines in the implementation of the national execution modality are urgently required.

IV. DECENTRALIZATION AND DELEGATION OF AUTHORITY

(General Assembly resolution 47/199, paras. 24-25; Economic and Social Council resolution 1993/7, para. 12)

5. The Director-General endorses, in principle, the concept of decentralization of certain capacities and greater delegation of authority to field offices. In

consonance with the repeatedly expressed wish of Member States to see the Organization move towards a stronger and more effective presence in the field, and in recognition of the growing importance of coordination of operational activities at field level, a considerable degree of attention has been paid in recent times to ways and means of achieving that objective. With a view to strengthening its field presence, both in qualitative and quantitative terms, UNIDO has carried out an in-depth assessment of its field structure, which has resulted in the presentation of a revised framework for field representation (IDB.14/25). In that context, various scenarios are presented whose implementation will depend on the resource situation of the Organization. Depending on the reactions of Member States and the decision of the Board thereon, the scale and level of decentralization and delegation of authority will be determined. The revised framework for field representation will also require the redefinition or revision of the role and functions of UNIDO field staff, in particular of UNIDO Country Directors *vis-à-vis* UNDP Resident Representatives.

V. SIMPLIFICATION AND HARMONIZATION OF PROCEDURES FOR PROJECT DESIGN, EVALUATION, MONITORING AND AUDIT

(General Assembly resolution 47/199, paras. 33-34)

6. To ensure greater programme transparency and accountability, procedures for a new service management process were introduced in UNIDO as a framework for the Organization's overall quality management approach. The process relies on objectives-oriented project planning (OOPP), improved project cycle management concepts and on quality management techniques and methodologies (ISO 9004). It employs the quality principles of transparency and accountability, by ensuring clarity and traceability of actions taken at each stage in the definition and implementation of services rendered by UNIDO. In the same vein, the authority and scope of functions of the Programme and Project Review Committee (PPRC) have been reformed. PPRC is the internal decision-making and advisory body entrusted with the task of ensuring that UNIDO services are designed and delivered in accordance with the Organization's mandate, policy, priorities, established quality standards and financial and other applicable rules and regulations.

7. Management procedures and processes are under regular scrutiny and review in order to adjust and improve them in the light of the experience and needs of the Organization. Thus, project cycle management is being critically examined and will be further streamlined in the course of the year.

8. Development cooperation approaches and methodologies will continue to be harmonized with other multilateral cooperation agencies, especially within the United Nations system, through informal consultations and existing inter-agency mechanisms. Currently, the CSN, the programme approach, and monitoring and evaluation are regularly being discussed in this way.

VI. COMMON PREMISES

(General Assembly resolutions 47/199, para. 42, and 48/209, para. 6)

9. As reported in the past, UNIDO field offices are, as a rule, fully integrated in the administrative and organizational structure of UNDP offices and physically located in those offices. Depending on the outcome of the debate on the revised framework of field representation under agenda item 7 (i), different approaches may have to be considered, especially in the case of host countries providing premises free of charge to the Organization and/or otherwise contributing to cover local costs.

VII. TRAINING (NATIONAL AND INTERNATIONAL)

(General Assembly resolution 47/199, paras. 43-47)

10. Since the issuance of the previous report, UNIDO has continued and increased its involvement in system-wide training programmes at Headquarters as well as in the field. It has contributed a resource person to the course on management of field coordination held at the International Training Centre of the International Labour Organization at Turin, Italy, which was also attended by UNIDO field staff. Moreover, UNIDO has organized courses on management and computer-related applications for other United Nations entities and organizations (United Nations Office in Vienna, United Nations High Commissioner for Refugees, UNDP). A UNIDO staff member is participating actively in the feasibility study currently under way in respect of the creation of a United Nations staff college, initiated by the Secretary-General. UNIDO had also held a substantial number of other training activities for both its own staff and nationals of developing countries on quality systems (9 briefing sessions), project cycle management (9 workshops), objectives-oriented project preparation (9 workshops) and other special purposes

(3 workshops). These activities will continue in the next biennium with funding from the 1996-1997 programme and budgets as well as from extrabudgetary sources.

VIII. RESIDENT COORDINATOR SYSTEM

(General Assembly resolutions 47/199, paras. 38-39, and 48/209)

11. UNIDO has been actively participating in the work of the Consultative Committee on Programme and Operational Questions (CCPOQ), which has most recently resulted in the adoption of a statement on the role and functioning of the resident coordinator system. The statement was subsequently endorsed by the Administrative Committee on Coordination and circulated to field offices.

IX. IMPROVEMENT OF EFFICIENCY AND EFFECTIVENESS

(Economic and Social Council resolution 1993/7, para. 2)

12. In the process of definition of assistance to be provided to Member States, UNIDO has put emphasis on the need to ensure that all its programmes and projects are demand driven and are based on the priorities of the requesting country. At the same time, in full recognition of the importance of quality based on the criteria of relevance, cost-effectiveness and sustainability (cf. GC.4/28, annex and General Conference decision GC.4/Dec.11), UNIDO has introduced a quality assurance scheme as reported in document GC.6/8-IDB.14/14, chapter I. In a related development, a blueprint of the quality system for UNIDO technical support services was issued towards the end of 1994 for internal use.

13. The annual analysis of evaluations of its operational activities provides UNIDO with useful insights into programme and project implementation and inspires suitable changes and adjustments in the processes and procedures of the Organization.

X. COMPREHENSIVE ANALYSIS OF THE IMPLEMENTATION OF GENERAL ASSEMBLY RESOLUTION 47/199

(General Assembly resolution 47/199, para. 55; Economic and Social Council resolution 1994/33, para. 4)

14. UNIDO has actively collaborated with the Department for Policy Coordination and Sustainable Development in the preparation of the analysis requested by the General Assembly from the Secretary-General in the context of the triennial comprehensive policy review of the United Nations system operational activities. It has submitted a detailed reply to a specific questionnaire for headquarters of organizations. Moreover, a UNIDO staff member took part in the work of a team of United Nations officials and consultants who carried out a field-level assessment of progress made in the implementation of relevant provisions of General Assembly resolution 47/199. The results of these efforts will be presented in a report that will be submitted to the Economic and Social Council at its substantive session of 1995 (26 June to 28 July 1995) and debated in the context of the operational activities segment.

XI. ACTION REQUIRED OF THE BOARD

15. The Board may wish to take note of the present note and make appropriate recommendations.